City of Wells
HOUSING STUDY

June 2016

An analysis of the overall housing needs
of the City of Wells, MN

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List of Sections

Introduction

Overview

Local elected and public officials are often held responsible for conditions and circumstances over which they have limited control. This is particularly true of housing. Most of the housing units in Wells are privately owned and were constructed with private funds. On an increasing scale, however, the public is demanding that public officials control what happens in this largely private housing market by eliminating blight, protecting individual investments, and generating new housing growth to meet economic development needs.

Community Partners Research, Inc., was hired by the Wells Housing and Redevelopment Authority to conduct a study of the housing needs and conditions in the City.

Goals

The multiple goals of the study include:
- Provide demographic data
- Provide an analysis of the current housing stock and inventory
- Determine gaps or unmet housing needs
- Examine future housing trends that the area can expect to address in the coming years
- Provide a market analysis for housing development
- Provide housing recommendations and findings

Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from February to May, 2016. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Esri, Inc., a private data company
- Records and data from the City of Wells
- Records and data maintained by Faribault County
- Minnesota State Demographer

- Interviews with City officials and staff, community leaders, housing stakeholders, etc.
- Local, Regional, State and Federal housing agencies
- Rental property owner/manager surveys
- Housing condition survey

Limitations

This Housing Study represents an analysis performed with the data available at the time of the Study. The findings and recommendations are based upon current solutions and the best available information on future trends and projections. Significant changes in the area's economy, employment growth, federal or State tax policy or other related factors could change the conclusions and recommendations contained in this Housing Study.

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Demographic Data Overview

Sources of Data

The following pages contain demographic data obtained from a variety of local, state and national sources for the City of Wells, Faribault County and a Market Area that includes the Cities of Wells, Bricelyn, Easton, Freeborn, Kiester and Walters and the Townships of Barber, Brush Creek, Carlston, Clark, Dunbar, Freeborn, Foster, Kiester, Lura, Seely and Walnut Lake. All of the Market Area jurisdictions are in Faribault County or neighboring Freeborn County.

At the time that research was completed for this Study, both the U.S. Census Bureau and the Minnesota State Demographer's Office had released basic demographic estimates for the year 2014. However, these annual estimates are generally limited to basic counts, such as population and household levels.

For more detailed demographic variables, the 2010 Census is viewed as the most reliable data source. While the last Census is an accurate benchmark for demographic data, it was more limited in scope than in the past. As a result, some of the demographic variables, such as income and housing cost information, are not available. To supplement the decennial Census, the Census Bureau has created the American Community Survey, an annual sampling of households.

The American Community Survey does provide detailed demographic characteristics. However, because the American Survey is an estimate, based on sampling data, there is a margin of error that exists for each estimate. The following tables incorporate the 2010 Census data, when available, or the American Community Survey data, when it is viewed as reliable. The American Community Survey estimates were derived from sampling that was done over a five-year period, between 2010 and 2014.

Additionally, Community Partners Research, Inc., has obtained information from Esri, a private company based in California that generates demographic and projection data. Esri estimates and projections are included. Esri provided the estimates and projections for the City, County and the Market Area.

Population Data and Trends

Table 1 Population Trends - 1980 to 2015						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2015 Esri Estimate
Wells	2,465	2,494	1.2%	2,343	-6.1%	2,232
Market Area	7,614	7,281	-4.4%	6,429	-11.7%	6,100
Faribault Co.	16,937	16,181	-4.5%	14,553	-10.1%	13,981

Source: U.S. Census; 2015 estimates are from Esri

- According to the 2010 U.S. Census, the City of Wells experienced a population loss from 2000 to 2010. Wells' population was 2,343 in 2010. This was a 151-person decrease from 2000, which was a population loss of 6.1%.

- The Wells Market Area's population was 6,429 in 2010. This was an 852-person decrease from 2000, which was a population loss of 11.7%.

- Faribault County's population was 14,553 in 2010. This was a 1,628-person decrease from 2000, which was a population loss of 10.1%.

- In the 1990s, Wells had a population gain while the Market Area and Faribault County experienced population losses. Wells' population increased by 29 people, while the Market Area's population decreased by 333 people and the County's population decreased by 756 people from 1990 to 2000.

- Wells' population is primarily White and non-Hispanic/Latino. At the time of the 2010 Census, 96.9% of the City's residents identified their race as White, the American Indian population was 0.2% of the City's population, 0.2% were Black or African American and 0.8% were Asian. Additionally, 2.0% of the population identified themselves as two or more races or some other race. Approximately 7.3% of the City's residents identified their ethnicity as Hispanic/Latino.

- The State Demographer, the Census Bureau and Esri have all released population estimates following the 2010 Census. All three of these sources believe that the City has lost some population since 2010, although the loss of population does vary.

- The State Demographer's population estimate for Wells in 2014 was 2,297, down 46 people from the 2010 Census. The U.S. Census population estimate, effective on July 1, 2014, showed the City's population at 2,272 people, down 71 people from the 2010 Census. Esri's 2015 estimate for the City of Wells was 2,232, down 111 people from 2010. While Esri shows the largest population loss after 2010, it is also one year more current than the other two estimating sources.

- The available sources also show some reduction in the Market Area's population since 2010. Esri's 2015 estimate for the Market Area, which was 6,100, was down by 329 people from 2010. The State Demographer's 2014 estimate, at 6,234 people, was down by 195 people from 2010.

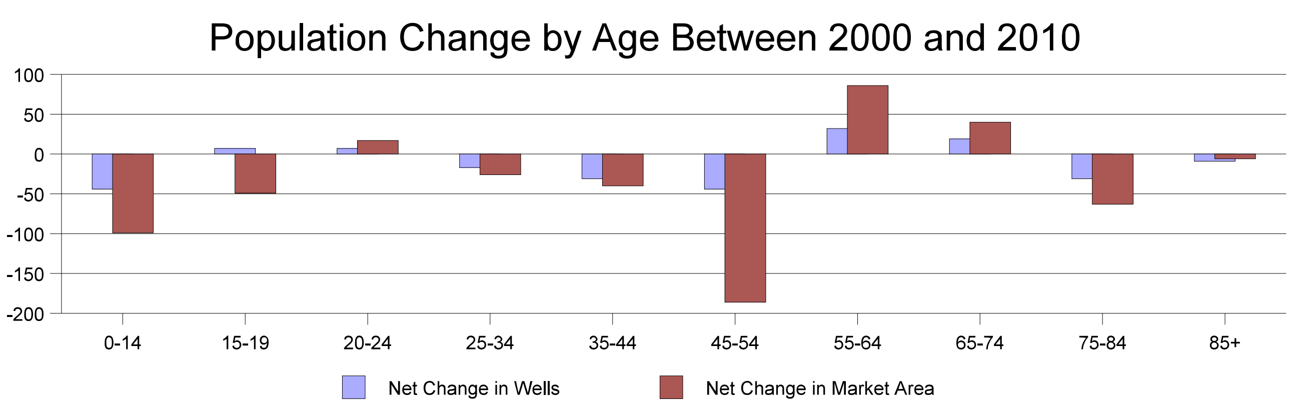
- For all of Faribault County, the State Demographer's 2014 estimate shows the population at 14,124, a decrease of 429 people from the 2010 Census. The U.S. Census 2014 estimate for Faribault County is 14,192 people, down 361 people since the 2010 Census. Esri's 2015 estimate for Faribault County is 13,981, a decrease of 572 people since 2010.

Population by Age Trends: 2010 to 2015

Esri has produced age-based population estimates for the year 2015. These estimates can be compared to the age distribution patterns that were reported in the 2010 Census. The following table compares population by age changes for Wells and the Market Area.

Table 2 Population by Age - 2010 to 2015						
Age	Wells			Market Area		
	2010	2015	Change	2010	2015	Change
0-14	453	409	-44	1,163	1,064	-99
15-19	123	130	7	400	351	-49
20-24	98	105	7	270	287	17
25-34	239	222	-17	612	586	-26
35-44	250	219	-31	686	646	-40
45-54	346	302	-44	1,048	862	-186
55-64	304	336	32	892	978	86
65-74	206	225	19	643	683	40
75-84	205	174	-31	487	424	-63
85+	119	110	-9	228	222	-6
Total	2,343	2,232	-111	6,429	6,103	-326

Source: U.S. Census



For many years, demographic analysts have been talking about the impact that is occurring as the large "baby boom" generation moves through the aging cycle. This trend has been evident in Wells and the Market Area.

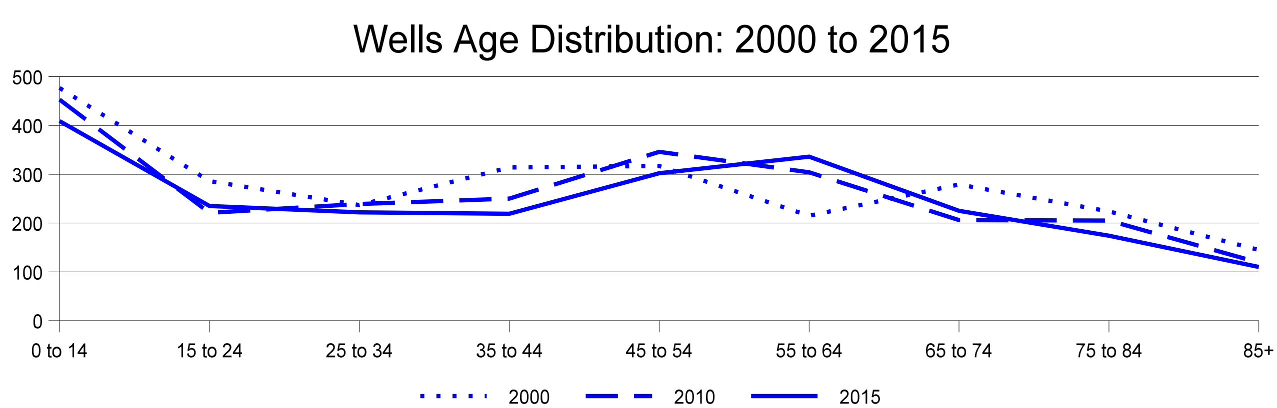
Between 2010 and 2015, Wells had a gain of 51 people and the Market Area had a gain of 126 people in the age range between 55 and 74 years old. In 2015, many of the baby boomers were within this age range.

The City of Wells also had an increase of 14 people in the 15 to 24 age ranges. The City of Wells had a loss of 44 people in the 0 to 14 age range, a loss of 92 people in the 25 to 54 age ranges and a loss of 40 people in the 75 and older age ranges.

In addition to the population gains in the 55 to 74 age ranges, the Market Area added 17 people in the 20 to 24 age range.

The Market Area had a loss of 148 people in the 0 to 19 age ranges, a loss of 252 people in the 25 to 54 age ranges and a loss of 69 people in the 75 and older age ranges.

The aging trends present in 2015 can be traced back to see the advancing baby boom generation. However, when 2015 is compared back to the year 2000, the City actually had fewer residents age 65 and older, although the advancing wave created by the baby boom generation was moving toward the senior citizen age groups in the year 2015.



Population Projections

The following table presents population projections using two different sources. The Minnesota State Demographer has issued population projections for Faribault County and Wells to the year 2020.

The other set of projections has been created by Esri, and span the five-year period from 2015 to 2020. Esri projections exist for Wells, the Market Area and Faribault County.

Table 3 Population Projections Through 2020

	2010 Census	2015 Estimate Esri	2020 Projection Esri	2020 Projection State Demographer
Wells	2,343	2,232	2,156	2,167
Market Area	6,429	6,100	5,881	N/A
Faribault County	14,553	13,981	13,615	14,923

Source: U.S. Census; Esri; State Demographer

- Esri projects a loss of 76 people in Wells from 2015 to 2020. Esri's projection for Wells in 2020, at 2,156 people, is very similar to the projection from the State Demographer's Office, which expects the City to have 2,167 residents by the year 2020. Both of these sources expect the City to lose between 175 and 190 people during the current decade.

- Esri projects that the Wells Market Area will lose 219 people from 2015 to 2020. No comparable projection exists from the State Demographer, as projections have not been created for the individual townships within the Market Area. The State Demographer does expect the cities within the Market Area to lose population by 2020.

- Esri's population projection for Faribault County forecasts a decrease of 366 people from 2015 to 2020. When compared to the 2010 Census, Esri forecasts a loss of 938 people Countywide from 2010 to 2020.

- The State Demographer's Office has released various projections for Faribault County in the past few years. The most current projection expects that the County's population will be 14,923 people in 2020, significantly higher than the Esri forecast for 2020. However, based on the most recent annual estimates, the Demographer's County projection is not viewed as reliable.

Household Data and Trends

Table 4 Household Trends - 1990 to 2015						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2015 Esri Estimate
Wells	1,034	1,032	-0.2%	1,013	-3.1%	982
Market Area	3,001	2,926	-2.5%	2,747	-6.1%	2,650
Faribault Co.	6,772	6,652	-1.8%	6,236	-6.3%	6,071

Source: U.S. Census; 2015 estimates are from Esri

- According to the 2010 U.S. Census, Wells had a reduction of households from 2000 to 2010. Wells had 1,013 households in 2010. This was a decrease of 19 households from 2000, which was a household loss of 3.1%.

- The Market Area had 2,747 households in 2010. This was a loss of 179 households from 2000, which was a household decrease of 6.1%.

- Faribault County had 6,236 households in 2010. This was a loss of 416 households from 2000, which was a household decrease of 6.3%.

- Wells, the Market Area and Faribault County also had household losses during the 1990s. Wells had a decrease of two households, the Market Area had a loss of 75 households and Faribault County had a loss of 120 households from 1990 to 2000.

- Esri's 2015 household estimate for Wells was 982, down 31 households from 2010. However, this differs from the 2014 estimate from the State Demographer, which showed that Wells had 1,013 households in 2014, unchanged from the number of households in 2010.

- Esri estimates that the Market Area had 2,650 households in 2015, a loss of 97 households from 2010. For the entire Market Area, the Demographer estimated that 2,703 households were present in 2014, down by 44 households from 2010.

- Esri's 2015 estimate for Faribault County was 6,071 households, a reduction of 165 households from 2010. The State Demographer estimates that Faribault County had 6,166 households in 2014, a decrease of 70 households from 2010.

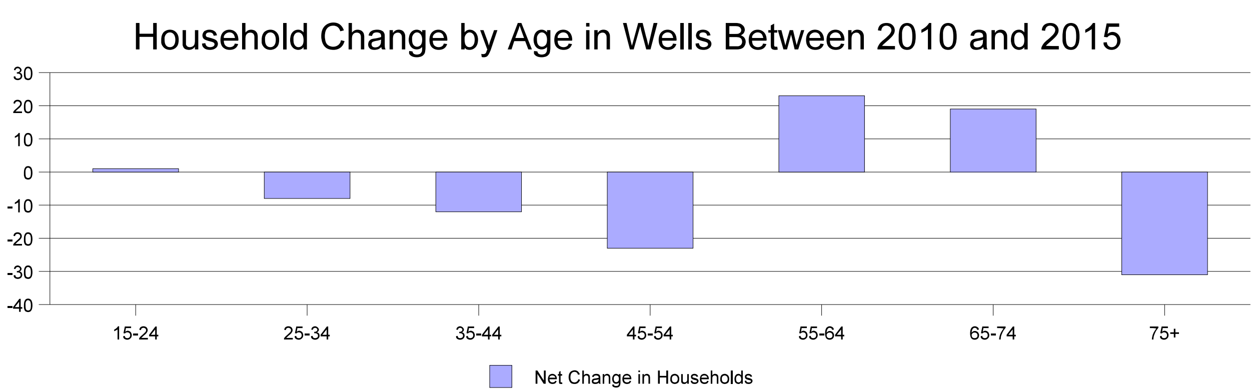
Household by Age Trends: 2010 to 2015

Age-based household estimates are also available from Esri for the year 2015. The following table compares households by age of householder in 2010 and 2015 for Wells and the Faribault County, along with the numeric changes.

Table 5 Households by Age - 2010 - 2015						
Age	Wells			Faribault County		
	2010	2015	Change	2010	2015	Change
15-24	37	38	1	202	188	-14
25-34	113	105	-8	743	730	-13
35-44	133	121	-12	769	743	-26
45-54	177	154	-23	1,233	1,010	-223
55-64	195	218	23	1,216	1,319	103
65-74	130	149	19	901	990	89
75+	228	197	-31	1,172	1,091	-81
Total	1,013	982	-31	6,236	6,071	-165

Source: U.S. Census

From 2010 to 2015, Wells had a loss of 43 households in the 25 to 54 age ranges and a loss of 31 households in the 75 and older age range. Wells had a gain of one household in the 15 to 24 age range and a gain of 42 households in the 55 to 74 age ranges.



Faribault County had a loss of 276 households in the 15 to 54 age ranges, and a loss of 81 households in the 75 and older age range. Faribault County had a gain of 192 households in the 55 to 74 age ranges.

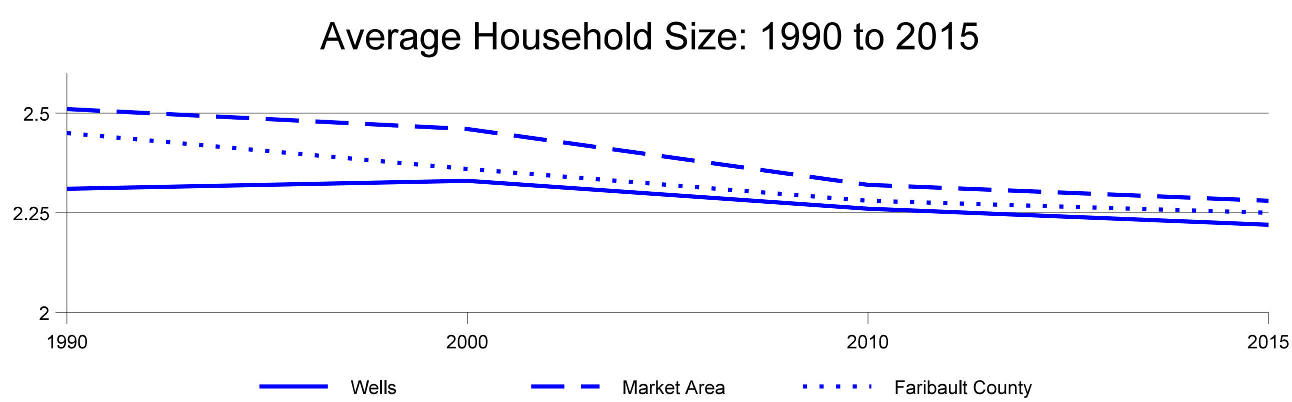
Average Household Size

The following table provides decennial Census information on average household size. The 2015 estimates are from Esri.

Table 6 Average Number of Persons Per Household: 1990 to 2015				
	1990 Census	2000 Census	2010 Census	2015 Estimate
Wells	2.31	2.33	2.26	2.22
Market Area	2.51	2.46	2.32	2.28
Faribault Co.	2.45	2.36	2.28	2.25

Source: U.S. Census; Esri

Household formation has been occurring at a different rate than population change in recent decades due to a steady decrease in average household size. This has been caused by household composition changes, such as more single person and single parent families, fewer children per family, and more senior households due to longer life spans.



There has been a pattern of smaller household sizes in Wells, the Market Area and Faribault County. The average household size in Wells decreased from 2.31 in 1990 to 2.22 persons in 2015.

The Market Area's average household size decreased from 2.51 persons in 1990 to 2.28 in 2015.

Faribault County's average household size decreased from 2.45 in 1990 to 2.28 in 2015.

Household Projections

The following table presents Esri's 2015 household estimates and 2020 household projections for Wells, the Market Area and Faribault County. The table also provides projections from the MN State Demographer's Office for Wells and Faribault County. The projection for Wells has been extrapolated by the analysts from the Demographer's population projection for 2020.

Table 7 Household Projections Through 2020

	2010 Census	2015 Estimate Esri	2020 Projection Esri	Change 2015 to 2020	2020 Projection State Demographer
Wells	1,013	982	953	-29	963*
Market Area	2,747	2,650	2,571	-79	N/A
Faribault Co.	6,236	6,071	5,931	-140	5,907

Source: U.S. Census; Esri; * Extrapolated by Community Partners Research, Inc.

- The growth projections calculated by Esri expect household losses in Wells, the Market Area and Faribault County from 2015 to 2020.
- Esri believes that Wells has lost of 31 households from 2010 to 2015 and that the City will lose an additional 29 households from 2015 to 2020.
- Esri estimates that the Market Area had a loss of 97 households from 2010 to 2015 and will have a loss of an additional 79 households from 2015 to 2020.
- Esri's 2015 estimate for Faribault County shows a loss of 165 households from 2010. Esri projects that Faribault County will lose an additional 140 households from 2015 to 2020.
- Projections from the Minnesota State Demographer's Office are generally similar. The extrapolated projection for the City of Wells would show 40 fewer households between 2010 and 2020. However, it is important to note that between 2010 and 2014, the Demographer's Office has not tracked any reduction of households in the City.
- The Demographer's 2020 projection for Faribault County expects 5,907 households, 24 households lower than the forecast from Esri.

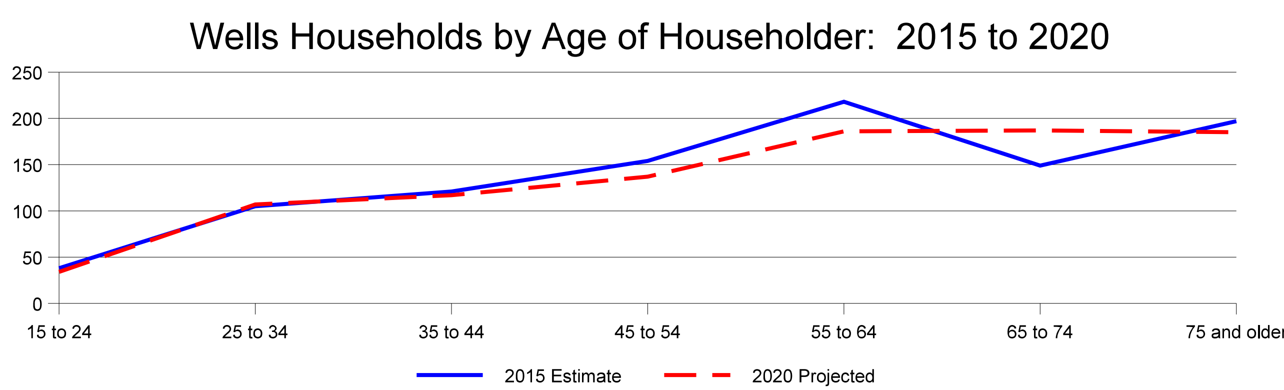
Wells Household by Age Projections: 2015 to 2020

Esri has released household by age projections to the year 2020. The following table presents Esri's 2015 estimates and 2020 projections for Wells, along with the projected change.

Table 8 Wells Projected Households by Age - 2015 to 2020

	2015 Estimate	2020 Projection	Change from 2015
15-24	38	34	-4
25-34	105	107	2
35-44	121	117	-4
45-54	154	137	-17
55-64	218	186	-32
65-74	149	187	38
75+	197	185	-12
Total	982	953	-29

Source: U.S. Census; Esri



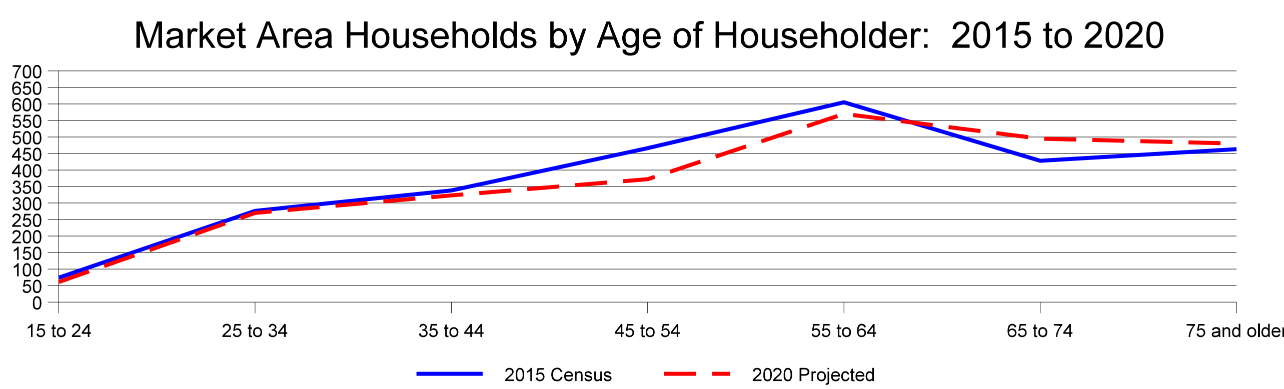
Consistent with the age distribution data presented earlier, the movement of the "baby boom" generation through the aging cycle should generate most of the City of Wells growth in households in the age range between 65 and 74 years old. Esri's projections expect a gain of 38 households in the 65 to 74 age range in Wells from 2015 to 2020. In addition to the household growth in the 65 to 74 age range, Wells is projected to add two households in the 25 to 34 age range. Esri projects a decrease of four households in the 15 to 24 age range, a loss of 53 households in the 35 to 64 age ranges and a loss of 12 households in the 75 and older age range.

Market Area Household by Age Projections: 2015 to 2020

Esri has released household by age projections to the year 2020. The following table presents Esri's 2015 estimates and 2020 projections for the entire Market Area, along with the projected change.

Table 9 Market Area Projected Households by Age - 2015 to 2020			
	2015 Estimate	2020 Projection	Change from 2015
15-24	74	61	-13
25-34	276	270	-6
35-44	338	323	-15
45-54	466	372	-94
55-64	605	570	-35
65-74	428	495	67
75+	463	480	17
Total	2,650	2,571	79

Source: U.S. Census; Esri



Consistent with the age distribution data presented earlier, the movement of the "baby boom" generation through the aging cycle should generate most of the Market Area's growth in households in the age range between 65 and 74 years old. Esri's projections expect a gain of 67 households in the 65 to 74 age range in the Market Area from 2015 to 2020. In addition to the household growth in the 65 to 74 age range, the Market Area is projected to add 17 households in the 75 and older age range. Esri projects that the Market Area will have a loss of households in all of the 64 and younger age ranges. Esri projects a decrease of 163 households from 2015 to 2020 in the age ranges between 15 and 64.

Households by Type

The 2010 Census can be compared to statistics from 2000 to examine changes in household composition. The following table looks at household trends within the City of Wells.

Table 10 Wells Household Composition - 2000 to 2010

	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	217	170	-47
Single Parent with own children	75	83	8
Married Couple without own children	331	323	-8
Family Householder without spouse	43	59	16
Total Families	666	635	-31
Non-Family Households			
Single Person	332	343	11
Two or more persons	34	35	1
Total Non-Families	366	378	12

Source: U.S. Census

Between 2000 and 2010, Wells experienced a net loss of 31 family households. There was a gain of eight single parents with children households and a gain of 16 family householders without spouses. However, there was a significant decrease of 47 married couples with children and a loss of eight married couples without children.

The City also had an increase of 12 “non-family” households. This was an increase of one household with unrelated individuals living together and an increase of 11 single person households.

Housing Tenure

The 2010 Census provided information on housing tenure patterns. The following tables examine overall tenure rates, along with the changes that have occurred since 2000 for the City of Wells and Faribault County.

Table 11 Household Tenure - 2010

	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Wells	770	76.0%	243	24.0%
Faribault Co.	4,978	79.8%	1,258	20.2%
State	-	73.0%	-	27.0%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in the City of Wells was 76.0%. Faribault County's ownership rate was 79.8%. Wells' rental rate of 24.0% was lower than the State of Minnesota's rental rate of 27.0%. Wells' rental rate is moderately low. It is typical for the larger cities in each county to have a rental rate that is equal to or higher than the Statewide rate.

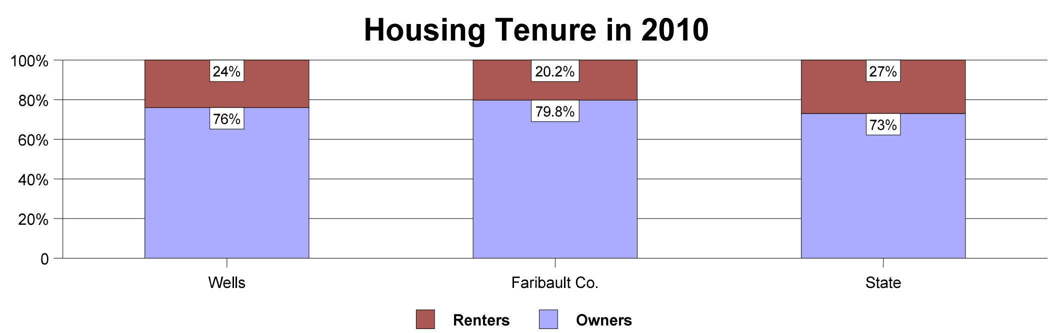


Table 12 Households by Housing Tenure - 2000 to 2010

Tenure	Wells			Faribault County		
	2000	2010	Change	2000	2010	Change
Owners	822/79.7%	770/76.0%	-52	5,370/80.7%	4,978/79.8%	-392
Renters	210/20.3%	243/24.0%	33	1,282/19.3%	1,258/20.2%	-24
Total	1,032	1,013	-19	6,652	6,236	-416

Source: U.S. Census

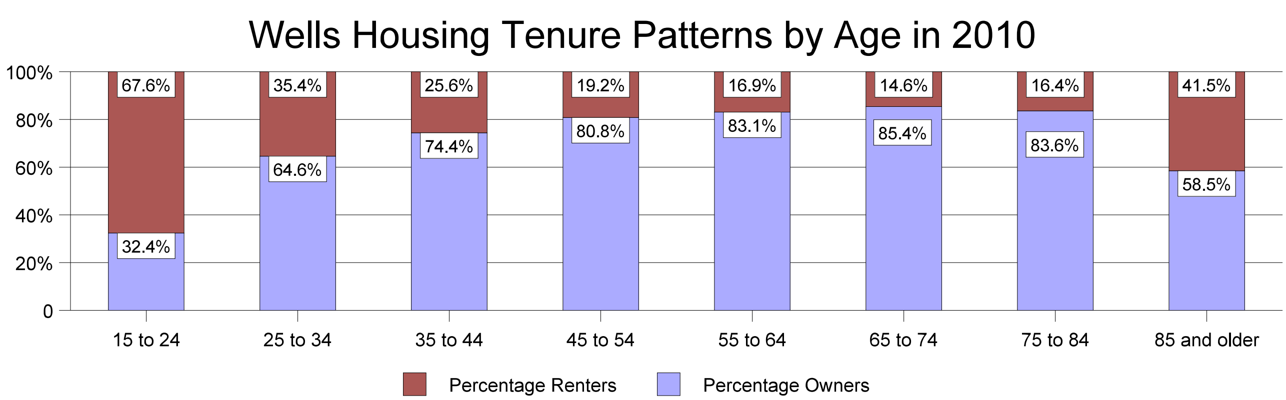
Wells' ownership tenure rate decreased from 79.7% in 2000 to 76.0% in 2010. For Faribault County, there was also a decrease in the rate of owner-occupancy from 80.7% in 2000 to 79.8% in 2010.

Tenure by Age of Householder

The 2010 Census provided information on the tenure distribution of households within each defined age range. The following table examines the number and percentage of renters and owners in each age group in the City of Wells.

Table 13 Wells Tenure by Age of Householder - 2010				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	12	32.4%	25	67.6%
25-34	73	64.6%	40	35.4%
35-44	99	74.4%	34	25.6%
45-54	143	80.8%	34	19.2%
55-64	162	83.1%	33	16.9%
65-74	111	85.4%	19	14.6%
75-84	122	83.6%	24	16.4%
85+	48	58.5%	34	41.5%
Total	770	76.0%	243	24.0%

Source: U.S. Census



Within the defined age ranges, typical tenure patterns were present, with the households in the youngest and oldest age ranges showing a high percentage of rental occupancy, while middle-aged and older adult households had a high percentage of home ownership. In 2010, approximately 68% of households age 24 and younger, 35% of the households in the 25 to 34 age range and 42% of the households age 85 and older rented their unit. Home ownership rates for each of the 10-year age cohorts age 35 and 84 were approximately 74% or higher.

Tenure by Household Size

The 2010 Census can be compared to 2000 Census information to better understand trends for housing unit needs. The following table provides household size information for Wells.

Table 14 Wells Tenure by Household Size - 2000 to 2010

Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	205	212	7	127	131	4
2-Person	323	318	-5	42	39	-3
3-Person	111	101	-10	19	27	8
4-Person	115	84	-31	9	31	22
5-Person	50	37	-13	9	7	-2
6-Person	11	10	-1	2	7	5
7-Persons+	7	8	1	2	1	-1
Total	822	770	-52	210	243	33

Source: U.S. Census

- From 2000 to 2010, there was a loss in the number of owner households and a gain of renter households in Wells. There was a gain of seven one-person owner-occupancy households and a gain of one owner household with seven or more people. There was a loss of 60 owner households with two to six people.

- There was a gain of four one-person renter households, a gain of 30 renter households with three or four people and a gain of five renter households with six people from 2000 to 2010. There was a loss of three two-person renter households, a loss of two five-person households and a loss of one household with seven or more people.

- Approximately 70% of the renter households in Wells were one or two person households in 2010.

2014 Income Data

Income estimates are available at the City and County level through the 2014 American Community Survey. Household income represents all independent households, including people living alone and unrelated individuals together in a housing unit. Families are two or more related individuals living in a household.

Table 15 Median Income - 2000 to 2014			
	2000 Median	2014 Median	% Change
Households			
Wells	$26,463	$41,429	56.6%
Faribault County	$34,440	$45,601	32.4%
Minnesota	$47,111	$59,836	27.0%
Families			
Wells	$38,523	$52,344	35.9%
Faribault County	$41,793	$57,590	37.8%
Minnesota	$56,874	$74,683	31.3%

Source: U.S. Census; 2014 ACS 5-year survey

Income information contained in the 2014 American Community Survey shows income growth within the City of Wells and in Faribault County from 2000 to 2014. The City's median household income level increased by 56.6% and the City's median family income increased by 35.9%. The County's median household income increased by 32.4% and the family median increased by 37.8%. However, the City and County's median household and family incomes were still significantly lower than the Minnesota medians.

Family household incomes tend to be much higher than the overall household median, as families have at least two household members, and potentially more income-earners.

Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Wells could afford approximately $1,036 per month for ownership or rental housing in 2014. A family at the median income level for the City could afford approximately $1,309 for housing costs.

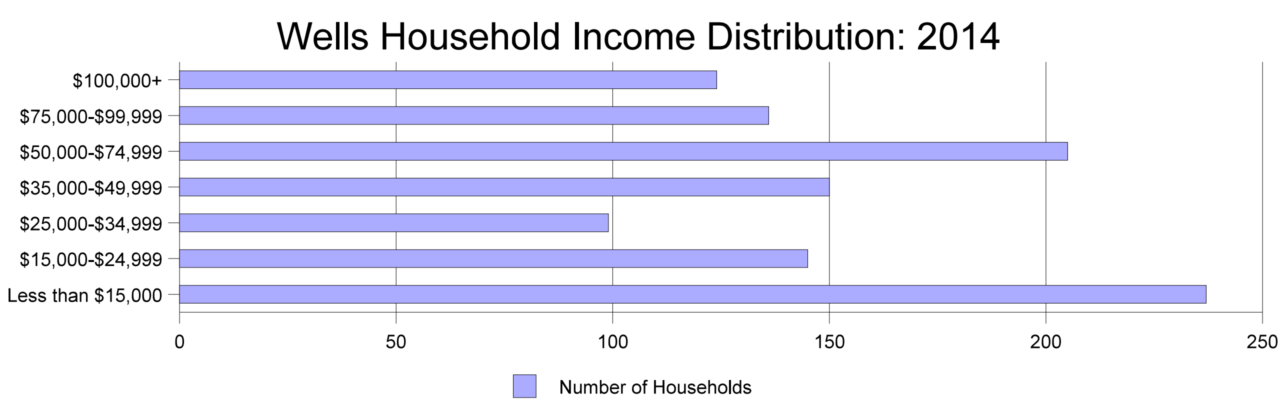
Wells Household Income Distribution

In the following table, the 2014 American Community Survey household income estimates for the City of Wells have been compared to the same distribution information from the 2009 American Community Survey to examine changes that have occurred over the five-year period from 2009 to 2014. It appears that the 2009 and 2014 American Community Surveys both over-counted the number of households in Wells, however, the data is still a good indicator of household income changes over the five-year period.

Table 16 Wells Household Income Distribution - 2009 to 2014

Household Income	Number of Households 2009	Number of Households in 2014	Change 2009 to 2014
$0 - $14,999	202	237	35
$15,000 - $24,999	164	145	-19
$25,000 - $34,999	146	99	-47
$35,000 - $49,999	176	150	-26
$50,000 - $74,999	231	205	-26
$75,000 - $99,999	99	136	37
$100,000+	68	124	56
Total	1,086	1,096	10

Source: 2009 ACS; 2014 ACS



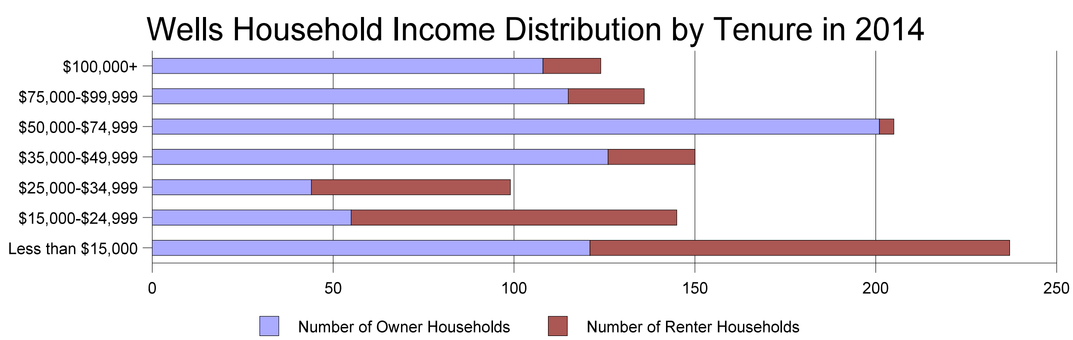
According to income estimates contained in the 2014 American Community Survey, household incomes have improved in Wells. When compared to the 2009 American Community Survey, there was a net increase of 67 households with an income of $50,000, or more. There was a net decrease of 57 households with incomes less than $50,000. However, there were still 382 households in Wells that have an annual income below $25,000. This was approximately 35% of all households in Wells.

Wells Income Distribution by Housing Tenure

The 2014 American Community Survey provides an income estimate by owner and renter status. The following table examines income distribution within the City of Wells.

Table 17 Wells Income Distribution by Tenure - 2014			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
$0 - $14,999	121/51.1%	116/48.9%	237
$15,000 - $24,999	55/37.9%	90/62.1%	145
$25,000 - $34,999	44/44.4%	55/55.6%	99
$35,000 - $49,999	126/84.0%	24/16.0%	150
$50,000 - $74,999	201/98.0%	4/2.0%	205
$75,000 - $99,999	115/84.6%	21/15.4%	136
$100,000+	108/87.1%	16/12.9%	124
Total	770	326	1,096

Source: 2014 American Community Survey



It appears that the 2014 American Community Survey over-counted the number of renter households in Wells, however, the data is still an indicator of income distribution by housing tenure.

Income and housing tenure are linked for most households, with home owners generally having higher annual income levels, and renters having lower incomes.

In 2014, approximately 80% of all renter households in Wells had an annual income below $35,000. At 30% of income, these households would have $875, or less, that could be applied to monthly housing costs. The median income for all renter households was approximately $25,124 in 2014. At 30% of income, a renter at the median level could afford approximately $628 per month or less for housing costs.

Approximately 55% of all owner households had an annual income of $50,000 or more. At 30% of income, these owners could afford $1,364 or more per month for housing costs. The median income for all owner households in 2014 was approximately $68,865. At 30% of income, an owner at the median income level could afford approximately $1,722 per month for housing costs.

2014 Estimated Income and Housing Costs - Renters

The American Community Survey also collected information on housing costs. The following table provides data on the number of renter households that are paying different percentages of their gross household income for housing in the City of Wells. The American Community Survey appears to have over-counted the number of renter households in Wells, however, the data is still an indicator of the percentage of income renters pay for housing costs.

Table 18 Gross Rent as a Percentage of Household Income - 2014

Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	45/20.9%	37/33.4%	82/25.1%
20% to 29.9%	55/25.6%	21/18.9%	76/23.3%
30% to 34.9%	4/1.9%	5/4.5%	9/2.8%
35% or more	81/37.7%	40/36.0%	121/37.1%
Not Computed	30/13.9%	8/7.2%	38/11.7%
Total	215/100%	111/100%	326/100%

Source: 2014 American Community Survey

According to the American Community Survey, approximately 40% of all renters in the City were paying 30% or more of their income for rent. A large majority of these households were actually paying 35% or more of their income for housing. Federal standards for rent subsidy programs generally identify 30% of household income as the maximum household contribution. When more than 30% of income is required, this is often called a “rent burden”. When more than 35% is required, this can be considered a “severe rent burden”.

Although a housing cost burden could be caused by either high housing costs or low household income, in Wells it was primarily due to low income levels for renters. A majority of the renter households with a housing cost burden had an annual household income below $20,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of $500 or less.

Senior citizen renters (age 65 and older) represented approximately 35% of all households with a rental cost burden. Households in the age ranges between 15 and 64 years old represented approximately 65% of all households with a rental cost burden.

2014 Estimated Income and Housing Costs - Owners

The American Community Survey also provided housing cost estimates for owner-occupants. The following table provides estimates of the number of households in the City of Wells that are paying different percentages of their gross household income for housing costs.

Table 19 Ownership Costs as a Percentage of Income - Wells		
Percentage of Household Income for Housing Costs	Number of Owner Households 2014	Percent of All Owner Households 2014
0% to 19.9%	487	63.2%
20% to 29.9%	151	19.6%
30% to 34.9%	17	2.2%
35% or more	99	12.9%
Not Computed	16	2.1%
Total	770	100%

Source: 2014 ACS

Most owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 15% of all home owners reported that they paid more than 30% of their income for housing. A majority of these households were actually paying more than 35% of income for housing costs.

As would be expected, most of the cost-burdened home owners had a mortgage on their home.

Building Permit Trends

Wells has had limited new housing construction activity in recent years. The following table identifies the 32 units that have been issued a building permit from 2000 to 2015.

Table 20 Wells Housing Unit Construction Activity: 2000 to 2014				
Year	Single Family Detached	Single Family Attached	Multifamily	Total Units
2015	0	0	0	0
2014	1	0	0	1
2013	1	0	0	1
2012	0	0	0	0
2011	1	0	0	1
2010	2	0	0	2
2009	0	0	0	0
2008	0	2	0	2
2007	0	0	0	0
2000- 2006	17	8	0	25
Total	22	10	0	32

Source: City of Wells; Community Partners Research, Inc.

Over the past nine years, from 2007 to 2015, seven new housing units have been constructed in Wells, based on building permit issuance. These units include five single family houses and one twin home structure with two units.

During the 7-year period from 2000 to 2006, 25 new units were constructed in Wells, for average of three to four units per year. The 25 units include 17 single family houses, and eight attached units in twin homes or town homes.

Occupancy Status of Housing Units - 2010

Table 21 Occupancy Status of Housing Units - 2010						
	Occupied Units		Vacant Units			
	Owner	Renter	For Rent	For Sale	Seasonal Use	Other Vacant
Wells	770	243	36	37	2	45
Faribault Co.	4,978	1,258	169	153	100	432

Source: U.S. Census

- In 2010, according to the U.S. Census, there were 100 seasonal housing units in Faribault County, including two units in Wells.

- Excluding the seasonal use units, there were 754 other types of vacant housing units in Faribault County in 2010, including 118 vacant units in Wells. Many of the vacant units were listed as "other vacant" and the status of these units is not known.

Existing Home Sales

This section examines houses that have been sold in the City of Wells from October 1, 2011 to September 30, 2015. Information was obtained from the Faribault County Assessor's Office.

Faribault County collects and utilizes information from residential sales for the County's sales ratio study. The County compares the fair market sale price to the estimated taxable value for each home. As a result, the County information for sales primarily reflects existing homes that have an established tax value. New construction sales activity would generally not be recorded in the data that was used for this analysis, unless the house had been constructed some time ago and did have an established tax value.

The County also sorts the sales data into "qualified" and "unqualified" groupings. Qualified sales are also referred to as good sales, because they are fair market transactions. Unqualified sales are rejected because they are not considered to be fair market transactions. There are multiple reasons for rejecting a sale, but some are becoming more common, including sales of "bank-owned" properties, and foreclosures/short sales. Additional reasons for rejection would include transfers between related parties, or sales that were not conducted in the open market.

The County's sales ratio year begins on October 1st, and ends the following September 30th. The information that was available was for the sales ratio years fro 2012 through 2015.

Table 22 Wells Residential Sales Activity - 2012 to 2015

Year	Number of Good Sales	Median Sale Price	Highest Sale	Lowest Sale
2015	14	$54,950	$114,000	$15,000
2014	7	$85,000	$200,000	$43,000
2013	12	$71,000	$205,000	$40,000
2012	18	$77,200	$190,000	$16,000

Source: Faribault County Assessor; Community Partners Research, Inc.

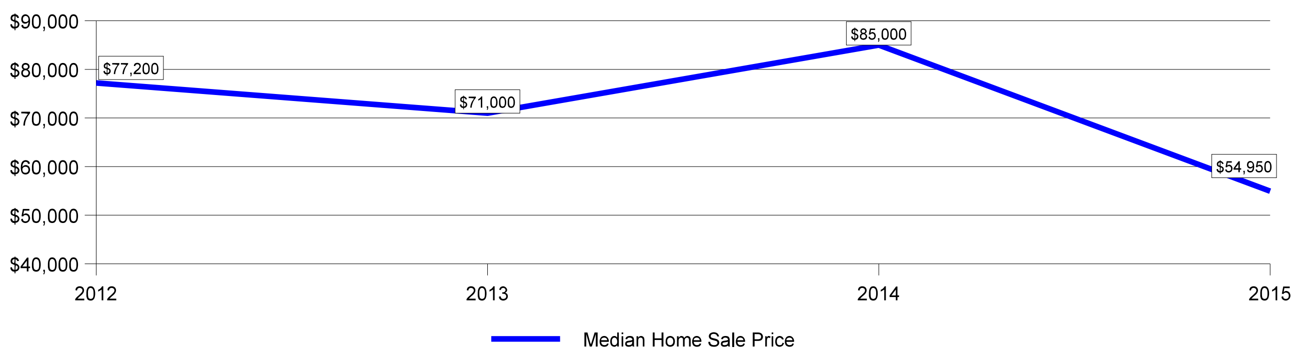
Over the four-year period from 2012 to 2015 there has been variation in the number of good sales that occur each year, from a low of only seven sales in 2014, to a high of 18 sales in 2012. With a change in the sample size in any 12-month period, the median price may not always be reflective of true home values in the community.

Over this same time period, the annual median sales price has ranged from a low of $54,950 in 2015, to a high of $85,000 in 2014. However, 2014 had the smallest annual sales sample, with only seven sales recorded, and the median may have been impacted by the limited activity.

In each of the years reviewed, at least one house has sold for $45,000 or less. Over the four-year period, only two houses in Wells have sold for $200,000 or more.

The County's website lists only two good sales that have been recorded in the 2016 sales ratio year. One of these sales was for $95,000 and the other for $94,000.

Median Home Sale Prices in Wells: 2012 to 2015

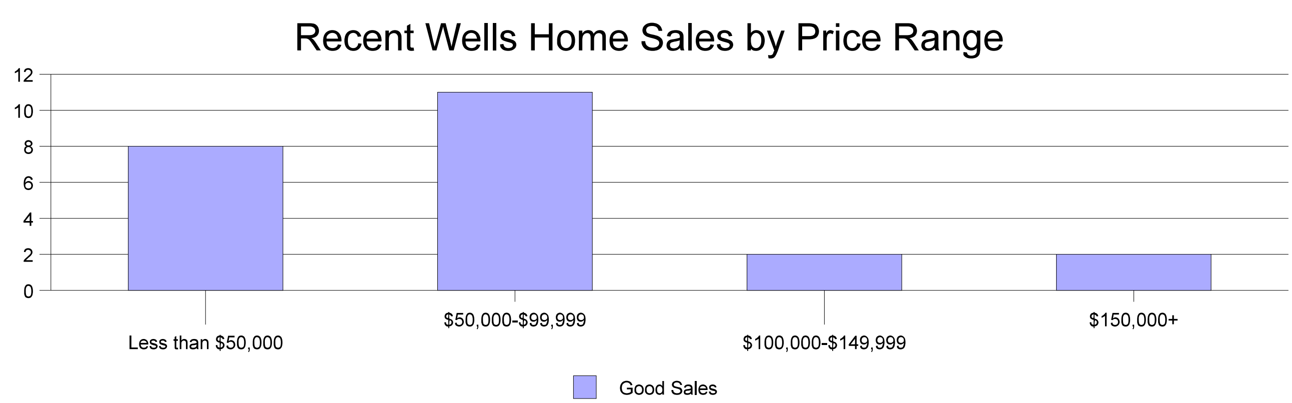


Home Sales by Price Range

The following table looks at the 23 most recent good sales that have been recorded in Wells, dating back to October 1, 2013. This information is from Faribault County's sales records.

Table 23 Recent Home Sales by Price Range		
Sale Price	Number of Sales	Percent of Sales
Less than $30,000	2	8.7%
$30,000 - $39,999	3	13.0%
$40,000 - $49,999	3	13.0%
$50,000 - $59,999	2	8.7%
$60,000 - $69,999	0	0%
$70,000 - $79,999	0	0%
$80,000 - $89,999	6	26.1%
$90,000 - $99,999	3	13.0%
$100,000 - $124,999	0	0%
$125,000 - $149,999	2	8.7%
$150,000 - $174,999	1	4.3%
$175,000 - $199,999	0	0%
$200,000+	1	4.3%
Total	23	100%

Source: Faribault County Assessor; Community Partners Research, Inc.



Most of the sales activity over the past few years has occurred within the lower price ranges. Approximately 83% of the sales were for less than $100,000, and 43% of all sales were for less than $60,000. There were only four recent homes sales for $100,000 or more, but only one of these was above $175,000.

An alternate estimate of home values exists in the American Community Survey. In 2014, the estimated median value was $74,900. This estimate is generally similar to the medians derived from sales activity in recent years.

Active Residential Listings

The website Realtor.com, maintained by the National Association of Realtors, was used to collect information on active residential real estate listings in Wells. In April 2016, there were 27 single family homes that were listed for sale in the City limits of Wells. There were some additional houses listed in the surrounding area, but these appeared to be outside the city limits.

It is important to note that the active properties are those included in the Multiple Listing Service (MLS) and would generally be offered through a real estate agent. There are other properties that are posted for sale that would not be part of the MLS, including most homes being offered "for sale by owner". The following table examines the MLS listings by listing price, as posted on Realtor.com.

Table 24 Wells Active MLS Listings by Price Range - June 2015

Asking Price	Number of Listings	Percent of Listings
Less than $50,000	8	29.6%
$50,000 - $74,999	2	7.4%
$75,000 - $99,999	7	25.9%
$100,000 - $124,999	3	11.1%
$125,000 - $149,999	5	18.5%
$150,000 +	2	7.4%
Total	27	100%

Source: Realtor.com; Community Partners Research, Inc.

Based on the listings on Realtor.com, most of the houses being offered for sale were priced below $100,000. Overall, nearly 63% of active listings in April were priced at $100,000 or less. Only two of the listings were priced at $150,000 or more.

Faribault County Home Foreclosure Activity

Starting in 2005, many national reports began to surface about the growing number of home foreclosures. Initially linked to the popularity of adjustable rate mortgages and the expansion of sub-prime mortgage lending, as many housing markets cooled and the national economy moved into a period of recession, the foreclosure crisis spread to broader segments of the housing market.

In response to the growth in foreclosures late in the last decade, HousingLink and the Greater Minnesota Housing Fund began tracking mortgage foreclosure activity across the State. They have produced annual foreclosure reports since 2005. Their reports provide details on foreclosure activity at the County level, as well as a comparison with other Counties in the State.

In addition to collecting information on the number of foreclosures, based on Sheriff's Sale data, HousingLink has also attempted to calculate a rate of foreclosure, by comparing the annual total to the number of residential parcels in each County. While this rate calculation does not yield a perfect number, it does allow for a standardized comparison measure among all of the Counties in the State. The following table presents the actual number of foreclosures, followed by the calculated rate of foreclosure, as calculated by HousingLink.

Table 25 Faribault County Home Foreclosures - 2005 to 2013

Foreclosures	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number	19	36	39	40	42	51	32	46	27
Rate	0.29%	0.54%	0.59%	0.60%	0.63%	0.77%	0.48%	0.70%	0.41%

Source: HousingLink; Community Partners Research

Based on the HousingLink data, Faribault County has been impacted by home foreclosures. The number of annual foreclosures did begin to increase after 2005, and reached a peak level in 2010. After 2010, the annual number of foreclosures began to drop and the level in 2013 is well below the 2010 peak. However, the number of foreclosures did spike again in 2012.

HousingLink also attempts to put the rate of foreclosure in perspective, by comparing the number of foreclosures to the total number of residential parcels in the County. For comparative purposes, Faribault County had the 50th highest rate of foreclosure among Minnesota's 87 Counties in 2013, the most recently reported time period.

Wells Housing Condition

Community Partners Research, Inc., representatives conducted a visual 'windshield' survey of 356 single family/duplex houses in three of Wells' oldest neighborhoods.

The boundaries of the neighborhoods are as follows:

- Neighborhood #1: Northern part of Wells
  (All houses north of the railroad tracks)

- Neighborhood #2: North - 1st St. SE
  South - 7th St. SE
  East - 2nd Ave. SE
  West - Broadway Ave.

- Neighborhood #3: North - Railroad tracks
  South - 1st St. SW & 2nd St. SW
  East - Broadway Ave.
  West - 6th Ave. SW/NW

Houses that appeared to contain three or more residential units were excluded from the survey. Houses were categorized in one of four levels of physical condition, Sound, Minor Repair, Major Repair, and Dilapidated as defined below. The visual survey analyzed only the physical condition of the visible exterior of each structure. Exterior condition is assumed to be a reasonable indicator of the structure's interior quality.

Dilapidated was the lowest rating used. These houses need major renovation to become decent, safe and sanitary housing. Some Dilapidated properties may be abandoned and may be candidates for demolition and clearance.

Major Rehabilitation is defined as a house needing multiple major improvements such as roof, windows, sidings, structural/foundation, etc. Houses in this condition category may or may not be economically feasible to rehabilitate.

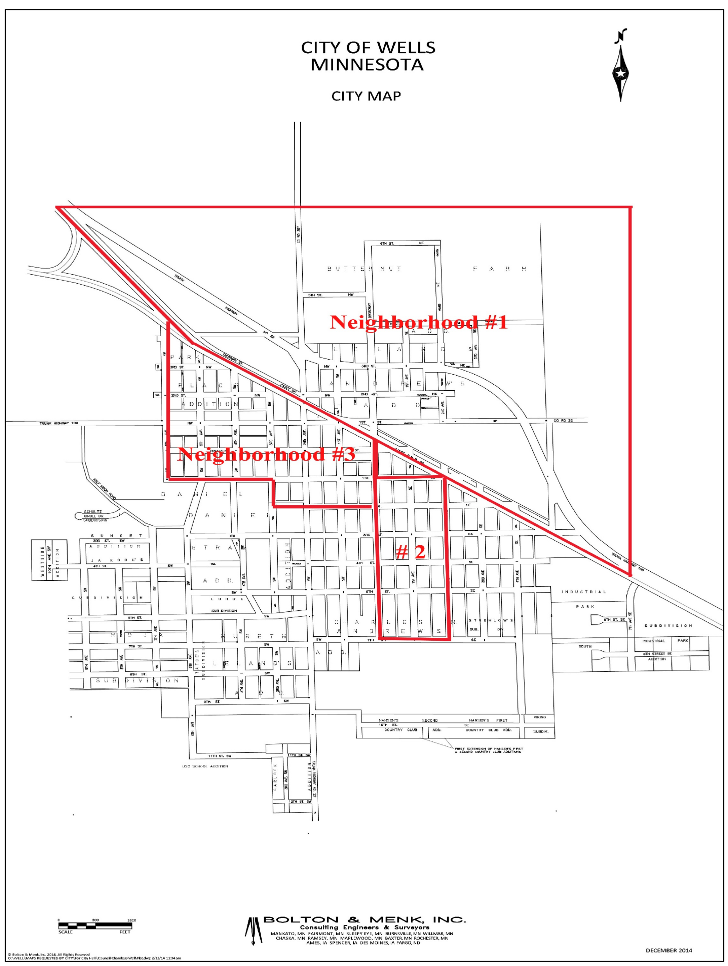
Minor Repair houses are judged to be generally in good condition and require less extensive repair, such as one major improvement. Houses in this condition category will generally be good candidates for rehabilitation programs because they are in a salable price range and are economically feasible to repair.

Sound houses are judged to be in good, 'move-in' condition. Sound houses may contain minor code violations and still be considered Sound.

Table 26 Windshield Survey Condition Estimate - 2016					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Neighborhood #1	32/48.5%	20/30.3%	10/15.2%	4/6.0%	66
Neighborhood #2	46/37.1%	53/42.8%	21/16.9%	4/3.2%	124
Neighborhood #3	78/47.0%	57/34.3%	26/15.7%	5/3.0%	166
Total	156/43.8%	130/36.5%	57/16.0%	13/3.7%	356

Source: Community Partners Research, Inc.

- Approximately 37% of the houses in three of the City's oldest neighborhoods need minor repair and 16% need major repair.
- Approximately 44% are sound, with no required improvements.
- Thirteen houses are dilapidated and possibly beyond repair.



Rental Housing Data

Census Bureau Rental Inventory

According to the 2010 U.S. Census, there were 243 occupied rental units and 36 unoccupied rental units in Wells, for a total estimated rental inventory of 279 units. The City's rental tenure rate was 24.0%, below the Statewide rental rate of 27.0% in 2010.

At the time of the 2000 Census, Wells had 210 occupied rental units and 16 vacant rental units, for a total estimated rental inventory of 226 units. The rental tenure rate in 2000 was 20.3%.

Based on a Census comparison, the City gained 33 renter-occupancy households, and approximately 31 rental units from 2000 to 2010. The rental tenure rate increased from 20.3% in 2000 to 24.0% in 2010.

We are aware of only four rental units that were constructed between 2000 and 2010, the Park Place Townhomes that were developed by the Wells HRA. Therefore, the additional increase in rental units was due to owner-occupied homes converting to rentals. We also are not aware of any rental units that were constructed in Wells from 2010 to 2015.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of multifamily projects in the City of Wells. The survey was conducted in February and March of 2016. Emphasis was placed on contacting properties that have six or more units, although some smaller rental projects were also surveyed. For the purposes of planning additional projects in the future, multifamily properties represent the best comparison of market potential.

Information was tallied separately for different types of rental housing, including conventional market rate, income-restricted tax credit units, subsidized, and senior housing with services.

Based on our research, all of the income-based subsidized, tax credit and senior with services rental projects, and a significant percentage of the market rate multifamily projects in Wells were surveyed.

A total of 110 rental housing units of all types were contacted in the survey. In addition to the 110 rental units, the assisted living project and the nursing home with a total of 76 rooms/beds were also surveyed.

The units that were successfully contacted include:

- 48 market rate units
- 51 subsidized units
- 11 tax credit units
- 76 senior with services or nursing home rooms/beds

The findings of the survey are provided below.

Market Rate Summary

Information was obtained on 48 market rate rental units in nine general occupancy projects. The nine projects include an 11-unit project, an 8-plex, two 6-plexes, three 4-plexes, a duplex and three market rate units in Wellington Estates. Wellington Estates is a mixed-income project that has three market rate units along with 11 tax credit units that are analyzed later in this section.

Unit Mix

We obtained bedroom mix information on 45 market rate units. The bedroom mix of these units is:

- Efficiency - 3 (6.7%)
- One-bedroom - 10 (22.2%)
- Two-bedroom - 32 (71.1%)
- Total - 45

We found no three or four-bedroom units in the market rate projects surveyed. However, there are three and four-bedroom single family homes being used as rental housing in Wells.

Occupancy / Vacancy

Within the market rate multifamily segment, the managers and owners reported that there were seven vacant units in the 48 units surveyed. This represents a vacancy rate of 14.6%.

Rental Rates

Rental units may include the primary utility payments within the contract rent, or the tenant may be required to pay some utilities separately, in addition to the contract rent. In the following summary, Community Partners Research, Inc., has attempted to estimate the gross rents being charged, inclusive of an estimate for tenant-paid utilities.

The following median gross rent range has been identified based on information from the telephone survey.

Unit Type	Median Gross Rent Range
Efficiency	$300-$375
One-bedroom	$475-$550
Two-bedroom	$500-$910

Market Rate Rental Construction from 2000 to 2015

Over the past 16 years, we are aware of only one market rate rental project constructed in Wells. Park Place Townhomes with four units was constructed in 2003. The four units are in two twin homes. The units all have two bedrooms.

Subsidized Summary

The research completed for this Study surveyed two subsidized projects providing rental opportunities for lower income households. These two projects have a combined 51 units.

The two subsidized rental projects include:

- ***Eastown Apartments*** - Eastown Apartments is a 16-unit General Occupancy Rural Development Project constructed in 1976. The 16 units include two one-bedroom units and 14 two-bedroom units.

- ***Broadway Apartments*** - Broadway Apartments is a 35-unit senior/disabled MHFA/Section 8 project constructed in 1979. The 35 units include 34 one-bedroom units and one two-bedroom unit.

Rental Rates

A majority of the subsidized units have access to project-based rent assistance. These units charge rent based on 30% of the tenant's household income. The subsidized projects have a maximum market rent and tenants do not pay more than the market rent.

In some of the Rural Development units, project-based rent subsidies are not always available. In these units, the tenant may pay a basic rent amount, even if it exceeds 30% of their income.

Unit Mix

The bedroom mix breakdown for subsidized housing in Wells is as follows:

- One-bedroom - 36 (70.6%)
- Two-bedroom - 15 (29.4%)
- Total - 51

Occupancy / Vacancy

At the time of the survey, there were seven vacant units in the subsidized projects, which is a 13.7% vacancy rate. Eastown Apartments had five vacancies and Broadway Apartments had two vacancies.

Subsidized Housing Gains/Losses

Federal subsidy sources for low income rental housing have been very limited for the past few decades. Most subsidized projects were constructed in the 1960, 1970s and 1980s. Some of the older projects around the State have completed their compliance requirements and have the opportunity to leave their subsidy program and convert to conventional rental housing.

In 2015, Eastown Apartments filed the paperwork to opt out of the USDA Rural Development Program and has approval to convert from a subsidized project to a market rate project. Their mortgage with USDA Rural Development has been paid-off, and it is expected that the rent assistance contract will soon terminate. However, as of April 2016, it was still operating as subsidized.

Housing Choice Vouchers

In addition to subsidized rental projects, Wells households have access to the Housing Choice Voucher Program. The Minnesota Valley Action Council administers the Housing Voucher Program in Wells and Faribault County.

The Housing Choice Voucher Program provides portable, tenant-based rent assistance to lower income households. The program requires participating households to contribute from 30% to 40% of their adjusted income for rent, with the rent subsidy payment making up the difference. Tenants may lease any suitable rental unit in the community, provided that it passes a Housing Quality Standards inspection, and has a reasonable gross rent when compared to prevailing rents in the community.

Currently, approximately 64 Faribault County households are receiving assistance through the Housing Voucher Program including 17 households in Wells.

Tax Credit Summary

Tax Credit rental housing projects are moderate rent, workforce housing. Wells has one tax credit project, Wellington Estates. Wellington Estates is a mixed-income project that includes 11 tax credit units and three market rate units. The 14 units include two one-bedroom, eight two-bedroom and four three-bedroom units. Wellington Estates is a former hospital building converted into rental housing in 1996.

The rents in Wellington Estates are $475 for a one-bedroom unit, $575 for a two-bedroom unit and $600 for a three-bedroom unit. Tenants also pay electricity in addition to rent.

At the time of the survey, there was one vacant two-bedroom tax credit unit.

Senior Housing with Services

Wells has two senior with services facilities. These facilities include:

- **The Shepard's Inn** - The Shepard's Inn includes 21 units with a capacity of 26 residents. The facility was constructed in 1985. Services include 24-hour staffing, meals, laundry services, housekeeping, medication management, etc.

- **Parkview Care Center** - Parkview Care Center is a nursing home with 50 skilled nursing beds. The facility was constructed in the 1960s.

Occupancy / Vacancy

At the time of the survey, The Shepard's Inn had five vacant units and Parkview Care Center had eight vacant beds. However, the administrators of both facilities reported that they typically average higher occupancy rates.

Table 27 Wells Area Market Rate Multifamily Rental Housing Inventory					
Name	**Number of Units /Bedroom Mix**	**Rent**	**Vacancy/ Wait List**	**Tenant Mix**	**Comments**
Market Rate					
Evergreen Apartments 200 1st St. SW	4 - 1 bedroom 2 - 2 bedroom 6 total units	$400 $425-$450	3 vacant units 2 - 1 Bdrm 1 - 2 Bdrm	General Occupancy	Evergreen Apartments is a former church that has been converted into six units. The rent is $400 for the one-bedroom units and $425-$450 for the two-bedroom units. Tenants also pay utilities. Currently, there are three vacancies. The owner lives in one of the units.
Wellington Estates	2 - 1 bedroom 8 - 2 bedroom 4 - 3 bedroom 14 total units 3 market rate 11 are tax credit	$475 $575 $600	1 vacant unit 1 - 2 Bdrm	Mixed-income General Occupancy	Wellington Estates is a former hospital building converted to rental housing in 1996. Federal housing tax credits used to assist 11 of the 14 units, which serve households at or below 60% of median income and are listed separately. Three units are market rate. City TIF assistance was also provided. Tenants pay electric in addition to rent. Manager reported one vacant two-bedroom unit.
Leland Apartments 10 1st Ave. NW	3 - Efficiency 4 - 1 bedroom 4 - 2 bedroom 11 total units	$200-$275 $350 $425	2 vacant units	General Occupancy	Leland Apartments includes three efficiencies, four one-bedroom and four two-bedroom units. Tenants pay heat and electric in addition to rent. Owner reports two vacant units.
114 2nd St. SW	2 - 1 bedroom 4 -2 bedroom 6 total units	$500	2 vacant units 1 - 1 Bdrm 1 - 2 Bdrm	General Occupancy	Six-unit rental building with two one-bedroom and four two-bedroom units. Rent includes utilities. Owner reports two vacant units.
Homestead Apartments	8 - 2 bedroom 8 total units	$400	No vacant units	General Occupancy	Homestead Apartments is an eight-unit complex constructed in 1975. All of the units have two bedrooms. Tenants pay heat and electricity in addition to rent. The owner reports no vacancies.

Table 27 Wells Area Market Rate Multifamily Rental Housing Inventory					
Name	**Number of Units /Bedroom Mix**	**Rent**	**Vacancy/ Wait List**	**Tenant Mix**	**Comments**
Market Rate					
245 1st St. SW	4 - 2 bedroom 4 total units	$325	No vacant units	General Occupancy	Market rate four-plex constructed in the 1950s. All of the units are two-bedroom. Rent is $325 plus utilities. The owner hasn't raised the rent for many years. The owner reports no vacancies, however, he does have periodic vacancies.
810 4th Ave.	2 - 2 bedroom 2 total units	$325	No vacant units	General Occupancy	Market rate duplex, both units are two-bedroom. Rent is $325 plus utilities. The owner reports no vacancies.
250 4th Ave. SW	4 - 2 bedroom 4 total units	$415	No vacant units	General Occupancy	This rental complex is a four-unit split-level constructed in the mid-1970s. All of the units have two bedrooms. Tenants pay all utilities in addition to rent. The owner reported that the rents are low for these units and when existing tenants move out the rent will be increased to approximately $500. The owner also reported no vacancies. These units also each have a garage.
Park Place Townhomes	4 - 2 bedroom 4 total units	$710 plus utilities	No vacant units	General Occupancy	Park Place Townhomes includes two twin homes constructed in 2003. The project was constructed by and is owned by the Wells HRA. Rent is $710 per month plus all utilities. All of the units have two bedrooms. The units have no income limits. The manager reported no vacancies and the units maintain a high ongoing occupancy rate. Each unit includes a two-car garage, washer and dryer hookups, vaulted ceilings and large storage closets.

Table 27 Wells Area Market Rate Multifamily Rental Housing Inventory					
Name	**Number of Units /Bedroom Mix**	**Rent**	**Vacancy/ Wait List**	**Tenant Mix**	**Comments**
Tax Credit					
Wellington Estates	2 - 1 bedroom 8 - 2 bedroom 4 - 3 bedroom 14 total units 11 tax credit 3 market rate	$475 $575 $600	1 vacant unit 1 - 2 Bdrm	Mixed-income General Occupancy	Wellington Estates is a former hospital building converted to rental housing in 1996. Federal housing tax credits used to assist 11 of the 14 units, which serve households at or below 60% of median income. Three units are market rate and are listed separately. City TIF assistance was also provided. Tenants pay electric in addition to rent. Manager reported one vacant two-bedroom unit.

Table 27 Wells Area Market Rate Multifamily Rental Housing Inventory					
Name	**Number of Units /Bedroom Mix**	**Rent**	**Vacancy/ Wait List**	**Tenant Mix**	**Comments**
Subsidized - Wells					
Eastown Apartments	2 - 1 bedroom 14 - 2 bedroom 16 total units	$430-$439 $465-$473 30% of income	5 vacant units	General Occupancy	Eastown Apartments is a USDA Rural Development General Occupancy project constructed in 1976. Six tenants have rent assistance that allows rent based on 30% of income, the remaining tenants pay 30% of income, but not less than the basic or more than the market rents listed. The manager reported five vacancies, but three tenants recently moved out and five vacancies are unusually high, two vacancies are typical.
Broadway Apartments	34 - 1 bedroom 1 - 2 bedroom 35 total units	$631 $671 30% of income	2 vacant units	Senior/ disabled	Broadway Apartments is an MHFA/Section 8 New Construction subsidized project for senior/disabled occupancy. The project includes 35 one-bedroom units and one two-bedroom units. The project was constructed in 1979. All tenants pay rent based on 30% of their income, up to a maximum rents listed. Tenants also pay electricity. The manager reported two vacancies and there typically are vacancies. The project does have a waiver which allows non-low income tenants to rent a unit.
Section 8 Housing Choice Voucher Program	17 total in Wells	30% of Income	6 to 9-month waiting list	General Occupancy	The Section 8 Housing Choice Voucher Program is administered in Faribault County by the Minnesota Valley Action Council (MVAC). The Housing Choice Voucher Program provides portable tenant-based assistance to lower income households. Tenants lease a suitable rental unit in the community. MVAC has approximately 64 Vouchers available for Faribault County. Currently, 17 Wells households are utilizing a Voucher. Currently, there is a 6 to 9-month waiting list for a Voucher.

Table 27 Wells Area Multifamily Rental Housing Inventory					
Name	**Number of Units /Bedroom Mix**	**Rent**	**Vacancy/ Wait List**	**Tenant Mix**	**Comments**
Senior Housing with Services - Wells					
The Sheperd's Inn	21 rooms - capacity for 26 residents	Base rent ranges from $2085/single $3970/ large room for a couple	Currently 5 vacancies	Senior Assisted Living	The Sheperd's Inn is an assisted living facility with 21 rooms and a capacity for 26 residents. The base rent includes housekeeping, laundry, three daily meals, bathing assistance, transportation, activities and utilities. Additional services can be purchased as needed. The staff reported that the facility is typically full, however, at the time of survey, there were five vacancies.
Parkview Care Center	50 licensed beds	Based on level of services	8 vacant beds but averaged only 3 vacant beds in 2015	Skilled nursing home	Parkview Care Center includes 50 skilled nursing beds. The facility was constructed in the 1960s. At the time of the survey, there were eight vacant beds. However, the facility had an average of only three vacant beds in 2015.

Source: Community Partners Research, Inc.

Employment and Local Economic Trends Analysis

While many factors influence the need for housing, employment opportunities represent a predominant demand generator. Without jobs and corresponding wages, the means to afford housing is severely limited.

Employment opportunities may be provided by a broad range of private and public business sectors. Jobs may be available in manufacturing, commercial services, agriculture, public administration, and other industries. The type of employment, wage level, and working conditions will each influence the kind of housing that is needed and at what level of affordability.

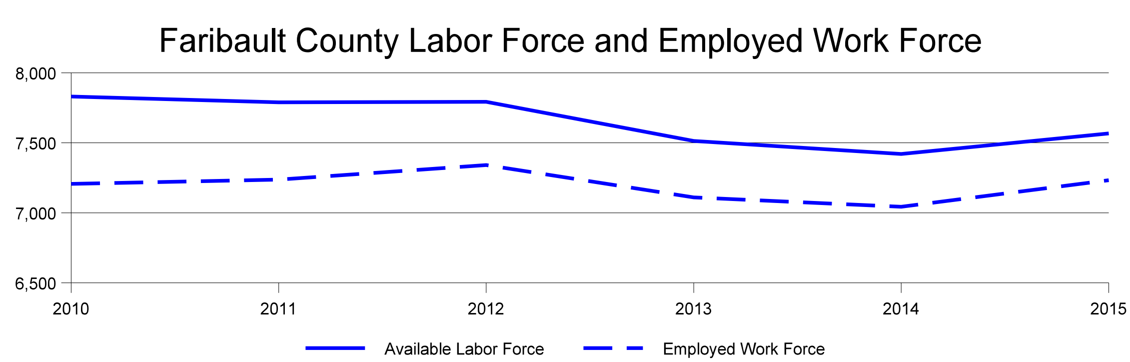
Work Force and Unemployment Rates

Employment information is available for all of Faribault County. Data in the following tables have been obtained from the Minnesota Department of Employment and Economic Development.

Table 28 Faribault County Labor Statistics 2010 to 2015

Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - MN	Unemployment Rate - US
2010	7,831	7,207	624	8.0%	7.4%	9.6%
2011	7,789	7,237	552	7.1%	6.5%	8.9%
2012	7,793	7,341	452	5.8%	5.6%	8.1%
2013	7,513	7,110	403	5.4%	4.9%	7.4%
2014	7,420	7,043	377	5.1%	4.2%	6.2%
2015	7,567	7,233	334	4.4%	3.7%	5.3%

Source: MN Department of Employment and Economic Development - Not Seasonally Adjusted



There has been a gradual decrease in the County's resident labor force in recent years, although some improvement began to occur in 2015. Over a longer time, between 2010 and 2015, the labor force decreased by 264 people, or -3.4%. Shorter-term, between 2014 and 2015, nearly 150 people were added to the County's available labor force.

The employed resident work force has remained more stable, if 2015 is compared to 2010, but there have been changes from year-to-year. When 2015 is compared to 2010, there were 26 more County residents that were employed, or an increase of 0.4%. With the number of employed people increasing faster than the overall labor force, the County's unemployment rate has dropped. In 2010, the unemployment rate in Faribault County was at 8.0%. By 2015, it had dropped to 4.4%.

Although employment in 2015 is slightly above the level in 2010, the recent peak for employment was reached in 2012. Over the next two years, the number of employed County residents dropped, before beginning to increase again in 2015.

Employment and Wages by Industry

The following table shows the average wages by major employment sector in 2014, the last full year of data. It is important to note that the major employment sectors listed do not represent all employment in the City.

Table 29 Wells Employment and Wages by Industry: 2014		
Industry	2014 Employment	2014 Average Annual Wage
Total All Industry	837	$27,664
Manufacturing	69	$40,612
Trade, Transportation, Utilities	178	$23,764
Financial Activities	75	$42,692
Education and Health Services	294	$28,548
Leisure and Hospitality	47	$8,528
Other Services	36	$18,564
Public Administration	48	$19,032

Source: Minnesota Department of Employment and Economic Development

The average annual wage for all industry in Wells 2014 was $27,664, assuming that workers were employed for 52 weeks. Only Financial Activities and Manufacturing had an annual wage above $40,000.

The City's lowest wage sector, Leisure and Hospitality, had an average annual wage that was below $9,000.

Education and Health Services was the largest industry sector for total employment. More than 35% of all workers were in this sector.

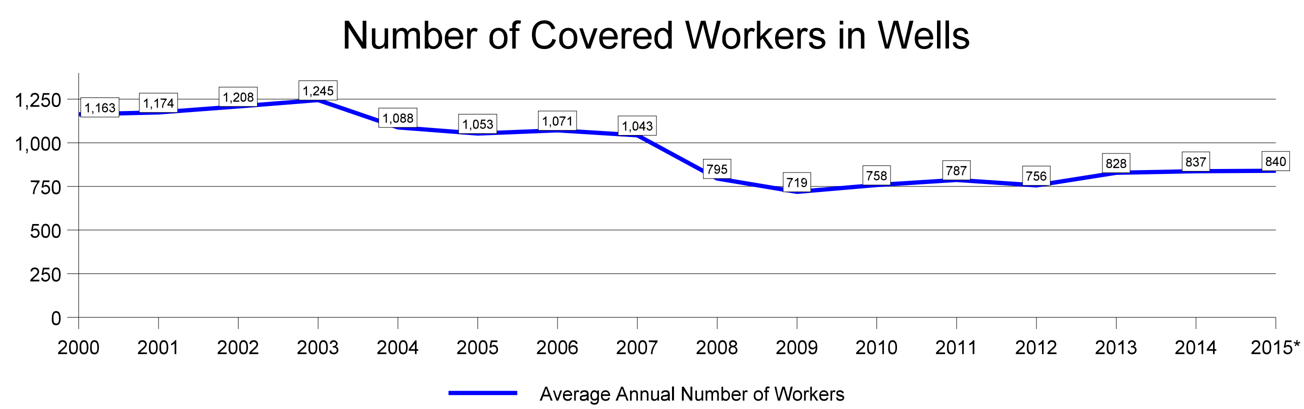
Wells Annual Covered Employment

Since the Quarterly Census of Covered Workers (QCEW) tracks employees covered by unemployment insurance by location, it is possible to examine longer-term patterns in the employment level. The following table displays the total number of workers reported in Wells back to the year 2000.

Table 30 Wells Average Annual Employment: 2000 to 2015*

Year	Total Covered Employment	Year	Total Covered Employment
2000	1,163	2008	795
2001	1,174	2009	719
2002	1,208	2010	758
2003	1,245	2011	787
2004	1,088	2012	756
2005	1,053	2013	828
2006	1,071	2014	837
2007	1,043	2015*	840

Source: QCEW - MN Department of Employment and Economic Development
*2015 is through September



Over the past 16 years there has been a significant reduction in the number of covered workers reported in Wells. If 2015 is compared to 2000, there has been a decrease of 323 reported workers, or a reduction of nearly 28%.
The reduction in covered workers in Wells is even greater after 2003, when the City reached its recent peak in reported employment. Although there has been a long-term pattern of declining employment, since 2008 the reported number of covered workers has been generally increasing.

Commuting Patterns of Area Workers

Information is available on workers that commute for employment. The 2014 American Community Survey, and has been examined for the City of Wells. The first table only examines people living in Wells that traveled to work and excludes people that work at home.

Table 31 Travel Times for Wells Residents - 2014		
Travel Time	Number	Percent
Less than 10 minutes	619	57.5%
10 to 19 minutes	104	9.7%
20 to 29 minutes	83	7.7%
30 minutes or more	270	25.1%
Total	1,076	100%

Source: 2014 American Community Survey 5-year estimates

According to the American Community Survey, a majority of City residents were traveling less than 10 minutes for employment in 2014, and were presumably working within the city limits. However, more than 25% of residents were commuting 30 minutes or more.

The American Community Survey also identifies travel time by location of employment. For people that worked in Wells, the following travel times were identified.

Table 32 Commuting Times for Wells-based Employees - 2014		
Travel Time	Number	Percent
Less than 10 minutes	662	52.2%
10 to 19 minutes	303	23.9%
20 to 29 minutes	153	12.1%
30 minutes +	150	11.8%
Total	1,268	100%

Source: 2014 American Community Survey 5-year estimates

The American Community Survey estimated that substantially more people were working in Wells in 2014, when compared to the covered worker data presented previously.

For people that worked in Wells, more than 76% traveled 19 minutes or less. This included people that both lived and worked within the City. Overall, fewer than 12% of city-based employees traveled 30 minutes or more to their job in Wells.

Findings on Growth Trends

As part of this Study, Community Partners Research, Inc., has examined growth patterns for the City of Wells, the Wells Market Area and Faribault County over the past few decades. These historic growth trends have then been used as a basis for projecting future demographic changes in the area.

Wells, the Market Area and Faribault County all had population losses from 2000 to 2010. From 2000 to 2010, Wells population decreased by 151 people, the Market Area's population decreased by 852 people and Faribault County's population decreased by 1,628 people.

The Minnesota State Demographer's Office, the Census Bureau and Esri all show ongoing population losses in Wells and Faribault County. The State Demographer estimates that the City of Wells' population has decreased by 46 people. While the Census Bureau estimates that Wells' population has decreased by 71 people from 2010 to 2014. Esri estimates that Wells has had a population loss of 111 people from 2010 to 2015.

The State Demographer estimated that Faribault County's population decreased by 429 people and the U.S. Census estimates that Faribault County's population decreased by 361 people from 2010 to 2014. Esri estimates that Faribault County has had a loss of 572 people from 2010 to 2015.

The available sources also show some reduction in the Market Area's population since 2010. Esri's 2015 estimate for the Market Area, which was 6,100, was down by 329 people from 2010. The State Demographer's 2014 estimate, at 6,234 people, was down by 195 people from 2010.

Wells, the Market Area and Faribault County all also had household losses from 2000 to 2010. The City of Wells had a loss of 19 households, the Market Area had a loss of 179 households and Faribault County lost 416 households from 2000 to 2010.

The 2015 Esri estimate shows Wells losing 31 households, the Market Area losing 97 households and Faribault County losing 165 households from 2010 to 2015.

Findings on Projected Growth

Esri projects that Wells will lose 76 people and 29 households from 2015 to 2020. This is generally consistent with their estimate that the City has been losing both population and households since 2010.

The Wells Market Area is projected to lose 219 people and 79 households between 2015 and 2020, according to Esri.

Esri projects that Faribault County will lose 366 people and 140 households from 2015 to 2020.

Summary of Wells Growth Projections by Age - 2015 to 2020

The Demographic section of this Study presented projection information on anticipated changes in the Wells Market Area from 2015 to 2020. This information can be informative in determining the housing changes that may be needed due to age patterns of the area population.

The age-based projections from 2015 to 2020 in the Market Area expect a loss of 163 households in the 15 to 64 age ranges. There is a projected gain of 84 households in the 65 and older age ranges.

The following forecast shows the expected net change in the number of Wells households in each five-year age cohort between 2015 and 2020.

Age Range	Projected Change in Households 2015 to 2020
15 to 24	-13
25 to 34	-6
35 to 44	-15
45 to 54	-94
55 to 64	-35
65 to 74	67
75 and Older	17
Total	-79

Findings on Unit Demand by Type of Housing

Based on the household by age projections presented earlier, the changing age composition of the Wells Market Area's population through the projection period will have an impact on demand for housing.

Age 24 and Younger - The projection used for this Study expects a decrease of approximately 13 households in the 15 to 24 age range through the year 2020. Past tenure patterns indicate that over 50% of the households in this younger range in the Market Area will rent their housing. The decrease in the number of households in this age range should mean that rental demand from younger households may decrease during the projection period.

25 to 34 Years Old - The projection shows a loss of six households in this age cohort by 2020. Within this age range, households often move from rental to ownership housing. The ownership rate among these households in the Market Area was more than 65% in 2010. A loss in the number of households within this age range will result in less demand for both first-time home buyer and rental opportunities.

35 to 44 Years Old - This 10-year age cohort has a projected loss of 15 households between 2015 and 2020 in the Market Area. In the past, this age group has had a high rate of home ownership in the Market Area, of over 75%. Households within this range often represent both first-time buyers and households looking to trade-up in housing, selling their starter home for a more expensive house. Household losses in this age cohort would result in a decrease in overall demand for owner-occupied housing.

45 to 54 Years Old - By 2020, this age cohort will represent the front-end of the "baby bust" generation that followed behind the baby boomers. This age group represents a much smaller segment of the population than the baby boom age group. For the Market Area, the projection shows a decrease of 94 households in this range. This age group historically has had a high rate of home ownership, over 80% in the Market Area in 2010, and will often look for trade-up housing opportunities. With a household decrease in this age group, the demand for trade-up housing from this age range will decrease through the year 2020.

55 to 64 Years Old - The projection shows an expected decrease of 35 households in this 10-year age range by the year 2020 in the City. This age range has traditionally had a high rate of home ownership in the Market Area, at over 85% in 2010. Age-appropriate housing, such as town house or twin home units, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters.

65 to 74 Years Old - Strong growth of 67 households is expected in the Market Area within this baby boom age range by the year 2020. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. At the time of the 2010 Census, over 85% of households in this age range owned their housing in the Market Area. Preferences for age-appropriate units should increase from household growth within this age cohort.

75 Years and Older - There is a projected gain of 17 households in the Market Area in this age range between 2015 and 2020. In the past, households age 75 and older, have had a rate of home ownership, at approximately 60% in the Market Area. While this is likely to continue, an expansion of other housing options for seniors, including high quality rental housing, should appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

These demographic trends will be incorporated into the recommendations that follow later in this section.

Wells -
Strengths and Barriers
for Housing Development

Strengths for Housing Development

The following strengths of the community were updated from the previous study utilizing information from statistical data, local interviews and the on-site review of the local housing stock.

- **Wells serves as a small regional center** - Wells provides employment opportunities, retail/service options, health and professional services and recreational facilities for a geographical area that surrounds Wells.

- **Affordable priced housing stock** - The City has a large stock of affordable, existing houses. Our analysis shows that the City's median home value based on 2014 and 2015 sales is approximately $85,000. This existing stock, when available for sale, provides an affordable option for home ownership.

- **Educational Facilities** - The United South Central School District has constructed a new K-12 school in Wells. The school serves Bricelyn, Easton, Freeborn, Kiester, Walters and Wells. Also, St. Casimir's is a K-6 Catholic School located in Wells.

- **Health facilities** - The City of Wells has a clinic, nursing home and assisted living.

- **Infrastructure** - Wells' water and sewer infrastructure are in good condition and can accommodate future growth.

- **Wells Housing and Redevelopment Authority** - The City has an HRA that over the years has been very active in addressing the community's housing needs, including new housing construction, housing rehabilitation, subdivision development and rental housing development.

- **Wells Economic Development Authority** - The City has an Economic Development Authority that is active in addressing the City's economic development needs.

- **Commercial Development** - Wells' commercial district is adequate to meet daily needs.

- **Close Proximity to Other Cities** - Wells is within commuting distance of several larger cities, including Owatonna, Blue Earth, Albert Lea, Mankato and Fairmont.

- **I-90 and I-35** - Wells is located approximately 6 miles from Interstate 90, and approximately 21 miles from Interstate 35, the main transportation routes for the region.

- **Small town atmosphere** - Wells is a small town with the real and perceived amenities of a small town. This small town living is attractive to some households.

- **Industrial Parks** - Wells has two industrial parks that can accommodate future development.

- **Employment** - Employers are providing more than 800 jobs in Wells. The Wells Food Processing Plant is planning to add up to 100 new jobs within the next year.

- **State, Federal and Non-Profit Funds** - The HRA and the City have successfully leveraged local funds for housing activities with other resources, including State, Federal and nonprofit funds. This past experience in securing funds and a successful track-record in utilizing the funds will continue to serve the City well when applying for assistance in the future.

- **Wells Community Center** - The Wells Community Center provides a variety of recreational opportunities and meeting space for Wells residents.

Barriers or Limitation to Housing Activities

Our research also identified the following barriers or limitations that hinder or prevent certain housing activities in the City of Wells.

- **Age and condition of the housing stock** - While the existing stock is very affordable, some of the housing is in need of improvements to meet expectations of potential buyers.

- **Lower paying jobs** - Some jobs in Wells are at the lower end of the pay scale and the employees with these jobs have limited housing choices.

- **Low rent structure** - The City's rent structure is relatively low, which makes it difficult to construct new rental housing.

- **Value-gap deters new owner-occupied construction** - Based on market values for recent residential sales, we estimate that the median priced home in Wells is valued at approximately $85,000. This is below the comparable cost for new housing construction, which will generally be above $180,000 for a stick built home with commonly expected amenities. This creates a value gap between new construction and existing homes. This can be a disincentive for any type of speculative building and can also deter customized construction, unless the owner is willing to accept a potential loss on their investments.

- **Competition with Surrounding Cities** - Although it can be an asset to be located within commuting distance of larger cities, it can also be a barrier to new housing construction. Larger cities have more employment, service, retail and entertainment opportunities. The amenities these larger cities have to offer will make them a preferred location for many households.

- **Commercial/Retail Options** - Although Wells has a commercial district that is adequate to meet daily needs, the City has a limited number of commercial and retail opportunities when compared to larger cities in the Region.

- **Distance from a major regional center** - Although Wells is located within reasonable commuting distance of a number of larger cities, Wells is approximately 40 miles from Mankato and 26 miles from Albert Lea. Many households prefer to live closer to a regional center because of the services, health care facilities, amenities and jobs that are provided.

- **Lack of buildable lots** - The City has only a few buildable lots available for new housing construction.

- **Population and household losses** - Wells and the Wells Market Area are projected to lose population and households from 2015 to 2020.

- **Lack of new housing construction** - New housing construction has been very limited over the past 10 years.

Wells - Recommendations and Opportunities

Recommendations, Strategies and Housing Market Opportunities

Based on the research contained in this Study and the housing strengths and barriers identified above, we believe that the following recommendations are realistic options for Wells. They are based on the following strategies:

- **Focus heavily on the preservation, maintenance and improvement of the housing stock that already exists** - While significant housing construction will occur in coming years, most of the housing opportunities will continue to be provided by the housing stock that is already on the ground. This is especially important for affordable housing opportunities, as it will almost always be less expensive to offer an affordable unit through rehabilitation versus new construction. Units that are lost due to deterioration and obsolescence cannot be replaced for a similar price. Evidence suggests that the majority of the existing stock is generally being well maintained, however, a significant percentage of housing needs repair. Emphasis on continued improvement will be important to meet future housing needs.

- **Develop life cycle housing** - It is vital for a self-contained community to provide housing opportunities for all ages and household types. These housing opportunities enable a community to thrive, and allow households to live in the community throughout their lives.

- **Promote new construction** - New construction provides housing opportunities, stimulates the economy and upgrades the community's housing stock. Both new owner-occupied single family homes and rental units are needed to provide households in Wells with housing options and to assure a healthy housing stock into the future.

- **Promote home ownership** - Home ownership is the preferred option for most households. Home ownership assists in creating community stability and commitment to the community. There are many younger families that are renting their housing. These households may be interested in home ownership, if an affordable opportunity is available.

- **Prioritize community housing goals** - Many of the recommendations in the Study will require staff-intensive efforts. The City should prioritize its housing goals and establish a plan to achieve its goals.

It is very difficult to meet all of the objectives as the balance of the objectives are very sensitive. An overly aggressive or overly passive approach to any of the objectives can cause problems in achieving the other objectives. For example, overbuilding new rental housing units could lead to vacancy problems in older, less marketable units in the community, causing these units to deteriorate in quality. The recommendations of this section attempt to provide a balanced approach to addressing the housing needs of Wells.

Summary of Findings/Recommendations

The findings/recommendations for the City of Wells have been formulated through the analysis of the information provided in the previous sections and include a total of 23 recommendations divided into the following five categories:

- **Rental Housing Development**
- **Home Ownership**
- **Single Family New Construction**
- **Housing Rehabilitation**
- **Other Housing Initiatives**

The findings/recommendations for each category are as follows:

Findings and Recommendations for the City of Wells	
Rental Housing Development	
1.	Develop 14 to 16 general occupancy market rate rental units
2.	Promote the development/conversion of six to eight affordable market rate rental housing units
3.	Monitor the need for additional subsidized rental housing units
4.	Preserve the existing supply of subsidized housing
5.	Promote a modest expansion of Senior Housing with Services
6.	Develop a mixed-use commercial/housing project
7.	Continue to utilize the Housing Choice Voucher Program
Home Ownership	
8.	Utilize and promote all programs that assist with home ownership
9.	Consider the development of a purchase/rehabilitation program
New Construction	
10.	Lot availability and lot development
11.	Strategies to encourage residential lot sales and new home construction
12.	Promote town house and twin home development
13.	Coordinate with agencies/nonprofits that develop affordable housing

Findings and Recommendations for the City of Wells	
Housing Rehabilitation	
14.	Promote rental housing rehabilitation programs
15.	Promote owner-occupied housing rehabilitation programs
16.	Develop a Rental Inspection and Registration Program
Other Housing Initiatives	
17.	Encourage employer involvement in housing programs
18.	Acquire and demolish dilapidated structures
19.	Create a plan and continue coordination among housing agencies
20.	Develop home ownership and new construction marketing programs and strategies
21.	Continue to promote commercial rehabilitation and development
22.	Strategies for Downtown Redevelopment
23.	The ‘Old School’ Site

Wells -
Recommendations
Rental Housing Development

Rental Housing Development

Overview: In recent decades it has been difficult to produce new rental housing units that are viewed as "affordable" when compared to existing rental housing. A number of factors, including federal tax policy, state property tax rates, high construction costs and a low rent structure, have all contributed to the difficulty in developing rental housing in most Minnesota communities.

From 2000 to 2015, based on City data, the only market rate or subsidized rental units constructed in Wells were two market rate twin homes developed by the Wells HRA in 2003. In 2010, Wells' rental tenure rate was 24%, which is below the State of Minnesota tenure rate of 27%.

Also, based on U.S. Census information, it is estimated that approximately 25 single family homes were converted from owner-occupied to rental use between 2000 and 2010.

Demand for new rental housing is typically generated from three factors:

- Growth from new households
- Replacement of lost units
- Pent-up demand from existing households

Esri's household projections expect household losses for Wells and the Wells Market Area. From 2015 to 2020, it is projected that there will be approximately a 29-household loss in Wells and a 79-household loss in the Market Area. Therefore, we are projecting no demand for rental housing due to household growth over the next five years.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that the City of Wells and the Market Area will lose approximately three to four rental units per year. As a result, approximately 15 to 20 additional units will be needed over the next five years to replace lost units. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition. In other cases, this replacement is appropriate due to the deteriorating condition of older, substandard rental housing that are removed from the occupied stock. Also, it is projected that some of the single family homes that converted to rentals during the recession will convert back to owner-occupied homes.

As part of this study, a rental survey of Wells area rental units/beds was conducted. In total, 110 rental units/beds were contacted and surveyed. The survey found a 14.6% vacancy rate in the general occupancy market rate units, a 13.7% vacancy rate in subsidized units, and a significant number of vacancies in the senior with services projects.

Although there are high vacancy rates in Wells' rental housing, we believe that pent-up demand exists for new, high quality and affordable market rate rental units. The existing market rate rental projects in Wells are more than 30 years old with the exception of the four units in the Park Place Townhomes project and three market rate units in Wellington Estates.

There currently is an adequate supply of subsidized housing, although one current project is at risk of leaving the subsidy program. There is also the potential to add some senior housing with services units in Wells to serve the market area we have identified. Even more senior with services units may be needed if a larger market area is to be served.

The three demand generators, after factoring current vacancy rates, show a demand potential for 36 to 44 rental units over the projection period. Based on the factors stated above, we recommend the development of the following rental units over the next five years, from 2016 to 2021.

‣	General Occupancy Market Rate	14-16 units
‣	Affordable/Conversions	6-8 units
‣	Subsidized	0 units
‣	Senior with Services	16-20 units/beds
	Total	36-44 units

1. Develop 14 to 16 general occupancy market rate rental units

Findings: Approximately 78% of the rental housing in the City of Wells can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

The entire rental inventory in the City included approximately 279 total units in 2010. We believe that approximately 217 of these units are best described as market rate rental housing.

Of the 48 market rate rental units we surveyed in Wells, we found seven vacancies. Three vacancies were in Evergreen Apartments and the owner indicated she has not been aggressively marketing the units. Also, several vacancies were in projects that were older and in poor condition.

More than 300 employees are commuting 20 minutes or more into Wells daily for work. Some of these employees would potentially move to Wells if additional housing was available. Housing stakeholders that were interviewed for the Study stated that there is a significant need for additional higher quality rental housing.

There is a variation in rental rates in the market rate segment in the City of Wells. The gross rents range from approximately $475 to $550 for a one-bedroom unit and $500 to $910 for a two-bedroom unit.

From 2000 to 2015, only four market rate rental units were developed in Wells, the Park Place Town Home Project. However, some single family homes have converted from owner-occupied to rental units partially due to the downturn in the economy.

Several individuals interviewed as part of the research for this Study stated that the City needed additional high quality rental options.

Recommendation: As stated earlier in this section, rental housing demand is based on household growth, pent-up demand, replacement of housing units that have been demolished or converted.

Based on this combination of demand generators, we believe that it is reasonable to plan for production of 14 to 16 market rate rental units over the next five years.

Based on our research, there is a need for rental units of all sizes, thus, the new units constructed over the next five years should include one, two and three-bedroom units.

Town home-style units or high quality apartment buildings are both options in addressing the need for market rate units. The projects, to be successful, should have 'state of the art' amenities. The new units could be constructed in smaller project phases. This strategy allows the new units to be absorbed into the market. The 'Old School' site would be an ideal location for a new market rate rental project.

There are two market rate rental segments in Wells. One segment is seeking a high quality unit and can afford a higher rent. The second segment is seeking work force housing and a more modest rent. This segment may not qualify for subsidized or tax credit rental units, but affordability is still an issue.

There is a need to construct both types of market rate rental housing, thus, there is a relatively wide rent range in the following table reflecting the two segments. To construct the workforce housing and charge affordable rents, land donations, financial assistance, tax increment financing and other resources will be needed.

The first option to developing market rate rental housing would be to encourage private developers to construct market rate rental housing. If private developers do not proceed, the Wells HRA, the Wells EDA or a regional housing agency could potentially utilize essential function bonds or similar funding sources to construct market rate rental housing.

Recommended unit mix, sizes and rents for the Wells Market Rate Housing Units:

Unit Type	No. of Units	Size/Sq. Ft.	Rent
One Bedroom	3	700 - 850	$650 - $775
Two Bedroom	8-10	900 - 1,000	$750 - $950
Three Bedroom	3	1,100 - 1,200	$800 - $1,100
Total	14-16		

Note: The recommended rents are gross rents including all utilities. The rents are quoted in 2016 dollars.

It would be advantageous to have the rents for some of the units at or less than the payment standards for the Housing Choice Voucher Program, thus, the units would be affordable for more households. The payment standards currently are:

- 1 bedroom - $517
- 2 bedroom - $691
- 3 bedroom - $899

2. Promote the development/conversion of six to eight affordable market rate rental housing units

Findings: The previous recommendation addressed the market potential to develop high quality rental units in Wells. Unfortunately, these units would tend to be beyond the financial capability of many Wells renter households. A majority of Wells' renter households have an annual income below $25,000. These households would need a rental unit at $650 per month or less.

There is evidence that Wells has lost some rental housing over the years and will continue to lose units due to deterioration, demolition or from units converting from renter to owner-occupancy. Part of the need for additional rental units in Wells is to provide for unit replacement. Unfortunately, most of the lost units are probably affordable, and new construction will not replace these units in a similar price range.

There are still some programs for affordable housing creation for moderate income renters. The federal low income housing tax credit program is one available resource. However, competition for tax credits is very difficult, and few awards have been made recently to small cities for small rental projects.

Information obtained during the interview process identified upper floors of several downtown area buildings that are vacant or have underutilized space that could be converted into rental housing. Some of these buildings also have substandard or vacant rental units that already exist which could be renovated. Currently, a vacant four-plex is being renovated for rental housing.

Recommendation: We would encourage the City of Wells and the Wells HRA to renovate buildings and to develop/convert/rehab rental units in vacant and underutilized buildings and structures. A goal of six to eight units over the next five years would help to replace affordable housing that has been lost and will be lost in the future. Additionally, the renovation of the buildings will assist in revitalizing the downtown and residential neighborhoods.

It is difficult to create units through new construction. It is often more practical to work on building renovation or conversion projects that can create housing. This opportunity often arises in commercial/mixed-use buildings.

It is our recommendation that gross rents for the converted units should be below $650 per month, which would help to expand the choices available to a majority of the City's renter households. However, some high quality units could be offered at a higher rent.

It is probable that the proposed rent structure for the units could only be obtained with financial commitments from other sources such as tax increment financing or tax abatement from the City and other financial resources from funding agencies such as the Minnesota Housing Finance Agency and SCDP funds. Also, financial assistance would expand the number of buildings that would be financially feasible to convert to rental units.

3. Monitor the need for additional subsidized/tax credit rental housing units

Findings: There are two subsidized rental projects with 51 units in Wells. One project with 16 units is designed for general occupancy housing and one project with 35 units is designated for seniors and people with disabilities.

There is also a tax credit project in Wells, Wellington Estates. Tax credit projects do not serve very low income households, but serve a moderate income market. Wellington Estates has 11 tax credit units, and also has three market rate units.

We identified seven vacant units in the two Wells subsidized projects at the time of the survey. This is a vacancy rate of 13.7%. Eastown Apartments had five vacancies and Broadway Apartments had two vacancies. Wellington Estates had one vacancy.

The subsidized projects in Wells have rent assistance available for most of the tenants, so lower income households pay rent based on 30% of income up to a maximum rent. Wellington Estates, the tax credit project, has established rents.

In addition to the project-based subsidized housing, Wells households also have access to the HUD Housing Choice Voucher Program (formerly Section 8 Existing Program). The Housing Choice Voucher Program is administered by the Minnesota Valley Action Council (MVAC). Approximately 17 Wells households are utilizing a Housing Choice Voucher.

Despite the variety of subsidized housing offerings in Wells, at the time of the 2010 Census, approximately 40% of the renter households reported that 30% or more of their income was required to pay housing costs.

Recommendation: We recommend that the City of Wells monitor the need to expand the supply of very affordable rental housing. With the number of subsidized rental units and the number of vacancies in the existing subsidized projects in Wells, it is our opinion that there is an adequate supply of subsidized housing units in the Wells area at this time.

However, there could be a need for additional subsidized rental housing if some of the existing subsidized units are lost. In the recommendation that follows, we have discussed the need to preserve the existing project-based subsidized housing in the community.

The large subsidized housing production programs of the past are no longer available, and it remains very difficult to produce new units for very low income renters.

We also recommend that the existing subsidized projects and the tax credit project in Wells continue to renovate and make improvements to the projects, to assure that the units are a high quality housing option for low and moderate income households.

4. Preserve the existing supply of subsidized housing

Findings: The City of Wells has two "deep subsidy" rental housing projects that allow tenants to pay rent based on 30% of income. These projects were constructed in the 1970s when the federal government was actively involved in producing low income housing.

The subsidized housing represents the most affordable option available to lower income households. Since most of these units charge rent based on income, even extremely low income households can afford their housing.

One of the two "deep subsidy" rental housing projects is privately owned. In some communities, privately owned subsidized housing has been lost as owners have the ability to opt-out of subsidy contracts after their original obligations have been met. Subsidized housing that is lost cannot be cost-effectively replaced with the low income housing production resources that are available today.

Recommendation: The Minnesota Housing Finance Agency (MHFA) tracks subsidized housing in Minnesota that is at risk of being lost. Owners of subsidized housing that are considering the option to drop their subsidy contract must notify MHFA and the tenants prior to taking any action.

In 2015, Eastown Apartments filed the paperwork to opt out of the USDA Rural Development Program and has approval to convert from subsidized to a market rate project. Their mortgage with USDA Rural Development has been paid-off, and it is expected that the rent assistance contract will soon terminate. However, as of April 2016, it was still operating as subsidized.

The Wells HRA should further research the intentions of the Eastown Apartments owners and determine if the future plans for Eastown Apartments are consistent with Wells' housing needs. In some communities, public or nonprofit agencies have been able to purchase projects that are at risk of being lost, to help preserve their affordable housing resources.

5. Promote a modest expansion of senior housing with services

Findings: Wells has two specialized senior housing projects, serving residents as they move through the aging cycle. The existing senior housing with services options are:

- **The Shepard's Inn** - The Shepard's Inn includes 21 units with a capacity of 26 residents. The facility was constructed in 1985. Services include 24-hour staffing, meals, laundry services, housekeeping, medication management, etc.

- **Parkview Care Center** - Parkview Care Center is a nursing home with 50 skilled nursing beds. The facility was constructed in the 1960s.

We have defined a Wells Market Area that includes six cities and 11 townships that surround the City of Wells. While the defined Market Area may not be a perfect indicator of overall demand, it does provide an informative look at planning for specialized senior housing. Based on 2015 estimates from Esri, there are 646 older senior citizens, age 75 and above, residing in the Market Area jurisdictions. This population of older seniors has been decreasing since 2010.

Although the older senior population in the Market Area decreased from 2010 to 2015, the projections contained in this Study anticipate slight growth in the number of older seniors from 2015 to 2020. For the Market Area aggregation, the age-based forecasts from Esri point to an increase of approximately 20 to 25 older senior citizens, age 75 and above, over the next five years.

Older seniors tend to represent the primary target market for specialized senior housing. There is larger-scale growth expected within the younger senior ranges, age 65 to 74, indicating growing demand for specialized housing after the year 2020.

Using the current estimates for senior population, the current estimated capture rates for the existing providers are as follows.

Skilled Nursing Beds - When compared to the older senior population in the Market Area, the total supply of longer-term nursing home beds in the Parkview Care Center would require a capture rate of approximately 7.7% of the total population of older seniors (age 75+).

Assisted Living - There are approximately 600 older senior citizens, age 75 and above, that are estimated to be present in 2015 in the Wells Market Area and not living in a nursing home. There are 21 assisted living units and 26 available beds in the Shepard's Inn. In 2015, a capture rate of approximately 3.5% is required to maintain full occupancy in the units and a 4.3% capture rate to fully occupy the beds.

Recommendation: Based on the research completed for this Study, we would recommend some limited additional development of specialized senior housing in Wells through the year 2020. The City does not have any units that offer only light services. There are also no units specifically designed for people with advanced memory care housing needs.

The size of the Market Area is not viewed as overly large and the scale of recommended development is limited. The best opportunity to add units may be to plan for an expansion of an existing senior facility, rather than proceed with a new stand-alone project.

Assisted Living - With 21 units and 26 beds currently available in Shepard's Inn, no expansion can be justified to the year 2020 based on the very limited projected growth within the target market of older senior citizens.

Memory Care Housing - Wells does not have any current provider of housing specifically designed for people with memory care needs. The Shepard's Inn and the Parkview Care Center do serve people in the early stages of dementia. A specific memory care project could be justified based on the size of the primary target population. To serve locally-generated demand, the development of a memory care facility with approximately six to eight beds would be recommended.

Light Services/Congregate Housing - Wells does not have a current provider of housing specifically designed for more independent seniors that would look to have light services available with their housing. Lighter services would typically include a daily meal, weekly light house keeping, laundry services and an emergency call system. Based on the size of the older senior population residing in the Wells Market Area, the development of a lighter services project in Wells with approximately 10 to 12 units would be recommended.

Overview of Regional Demand - The owners of the Parkview Care Center are in the preliminary stages of planning for the development of a specialized senior housing project that would serve an area that is much larger than the Market Area boundaries used for this Study. The proposed market area may encompass portions of four counties. The plan would be to develop an attractive senior campus in Wells that could compete for a share of the regional demand.

This Study has not examined a larger regional market, but instead has focused on a primary draw area that immediately surrounds the City. We also did not analyze the percentage of seniors a new project can draw from existing senior with services projects in the area. The population of older seniors currently residing in the Wells area is relatively small, and would not be the basis of larger-scale development projects. While it may be feasible to develop a regional project to serve a large market area, it would require a project-specific analysis that examines a multi-county region that is beyond the scope of this Wells Housing Study.

The purpose of this recommendation is to provide general guidance to potential developers. A developer or existing senior with services facility planning a specific project should have a project-specific study conducted.

6. Develop a Mixed-Use Commercial/Housing Project

Findings: According to City officials, one of the City's goals is to have a more active and vibrant commercial area. We are recommending the renovation of mixed-use buildings downtown and several downtown buildings have been renovated utilizing SCDP and other funds. The development of a mixed-use rental housing/commercial project would complement these redevelopment efforts.

New mixed use projects have been developed in several Minnesota cities. Some of these projects were developed because of market demand, while others were developed to enhance the downtown or a commercial area, to introduce a new product to the market or to serve as a catalyst for redevelopment.

Recommendation: We recommend the development of a mixed-use building in Wells. We recommend commercial space on the first floor and rental units on the second floor. Prior to construction, a portion of the commercial space should be leased to an anchor tenant that would complement the existing commercial businesses.

The rental units should be primarily market rate units, but could be mixed-use income with some moderate income units. The units should be one and two-bedroom units. Please note that these units are not in addition to the units recommended in the first and second recommendations of this section. If a mixed use building was constructed, the number of units recommended previously should be reduced.

Ideally, a private developer would construct and own the building. The City may have a role in the project by providing TIF or other local funds and land at a reduced price.

7. Continue to utilize the Housing Choice Voucher Program

Findings: The Housing Choice Voucher Program provides portable, tenant-based rent assistance to lower income renter households. The program requires participating households to contribute from 30% to 40% of their adjusted income for rent, with the rent subsidy payment making up the difference. Tenants may lease any suitable rental unit in the community, provided that it passes a Housing Quality Standards inspection, and has a reasonable gross rent when compared to prevailing rents in the community. Although the federal government provides almost no funding for subsidized housing construction, it has provided new Housing Choice Voucher allocations over the last two decades.

The Housing Choice Voucher Program is a popular form of subsidized housing. Because of the flexibility offered through the program, eligible households often prefer the portable rent assistance to other forms of subsidized housing that are project-based, and can only be accessed by living in a specific rental development.

The Housing Choice Voucher Program in Faribault County is administered by the Minnesota Valley Action Council (MVAC). Currently, MVAC has funding for approximately 64 Vouchers for Faribault County. Of the total 64 Vouchers, approximately 17 Vouchers are being utilized by Wells households. The Voucher Program has a waiting list time of six to nine months.

Recommendation: From a practical standpoint, the Housing Choice Voucher Program is the single best way that Wells can provide affordable housing. HUD does not make new incremental assistance available every year, but when new allocations are authorized, we would encourage the City to work with MVAC to apply for additional Vouchers.

Also, MVAC should continue to publicize the Housing Choice Voucher Program in Wells and Faribault County to assure that area renter households have access to and are aware of the Program.

Wells -
Home Ownership
Recommendations

Home Ownership Recommendations

Findings: Expanding home ownership opportunities is one of the primary goals for most cities. High rates of home ownership promote stable communities and strengthen the local tax base.

The median owner-occupied home value in Wells, based on recent sales, is estimated to be approximately $85,000. With approximately 50% of the homes in Wells valued less than $85,000, Wells has a market for first time home buyers and households seeking moderately priced homes.

Our analysis of Wells demographic trends shows strong population growth from 2010 to 2020 in 65 to 74 age range. This group represents a strong potential market for lower maintenance housing options, such as twin homes or town house developments.

The number of households in the 25 to 34 age range is expected to remain relatively stable in Wells. While some of these households already own their housing, those households that have not been able to achieve the goal of home ownership, may need the assistance of special programs to help them purchase their first home and will be seeking affordable homes such as the homes in Wells.

To assist in promoting the goal of home ownership, the following activities are recommended.

8. Utilize and promote all programs that assist with home ownership

Findings: Home ownership is generally the preferred housing option for most households and most communities. As discussed previously, the demographic make-up of Wells is conducive to the promotion of home ownership opportunities. There are a number of strategies and programs that can be used to promote home ownership in Wells. The area's housing agencies and financial institutions can assist with this effort.

First time home buyer assistance, down payment assistance, low interest loans, gap financing and home ownership training programs help to address affordable housing issues. With the City's median home value at approximately $85,000, most of the homes in the existing housing stock in Wells are valued under purchase price limits for first-time home buyer assistance programs. Also, there has been a growing number of single family homes in the Wells rental market. Many of these homes could be converted to owner-occupied homes. Conversely, home ownership programs may prevent owner-occupied homes from being converted to rentals.

Home ownership counseling and training programs can also play a significant role in helping marginal buyers achieve home ownership. To become homeowners and/or to remain homeowners, many households need financial counseling to improve their credit score, to save for a down payment and to properly budget household income.

While these individual home ownership assistance programs may not generate a large volume of new ownership activity, the combination of below-market mortgage money, home ownership training, credit counseling, and down payment assistance may be the mix of incentives that moves a potential home buyer into home ownership.

Recommendation: The City of Wells, the Wells HRA and agencies such as the Minnesota Valley Action Council and USDA Rural Development should utilize all available home ownership assistance programs to promote home ownership.

The City, in coordination with other Faribault County Cities, should also explore the possibility of obtaining specific program set-asides for home ownership programs from the Minnesota Housing Finance Agency. Specific set-asides will offer multiple advantages, including a dedicated pool of funds, the opportunity for higher participation limits for income and purchase price, and the flexibility for more local design and control. Mortgage programs should also be developed that include all households and not just first time home buyers to encourage trade-up housing activity.

The City should continue to coordinate with the area's housing agencies to develop programs that provide financial assistance for households to purchase a home and to assure the City is receiving its share of resources that are available in the Region. The local financial institutions should also continue to have a significant role in assisting households with purchasing a home.

Funding sources for home ownership programs include USDA Rural Development, the Minnesota Housing Finance Agency, the Federal Home Loan Bank, the Greater Minnesota Housing Fund and Minnesota Small Cities Development Program Funds.

9. Consider the development of a Purchase/ Rehabilitation Program

Findings: Wells has a stock of older, lower valued homes, some of which need repairs. Our housing condition survey of 356 homes in three of the City's oldest neighborhoods identified 130 homes that need minor repairs and 57 homes that need major repairs. Also, some homes have been converted from owner-occupied to rental from 2000 to 2015. Additionally, the 2010 Census reported some vacant homes in Wells. Based on past sales, approximately 83% of the homes in Wells are valued less than $100,000. As some of the lower valued rental and vacant homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

In the past, the Minnesota Housing Finance Agency has provided funding for the Minnesota Urban Homestead Program (MURL) Program. Under the program, a City could purchase an existing home that needed rehabilitation, rehabilitated the home, sold the home to a low income family and provided a mortgage and a monthly payment that are affordable for the family. The MURL Program accomplished many community goals, including the promotion of home ownership for lower income people, and the repair of substandard housing units. However, MHFA is no longer providing funding for the MURL Program.

Attitudinal surveys that we have conducted in other cities have found that purchase/rehabilitation programs are appealing to people who are currently renting their housing. In some similar sized communities, more than 80% of survey respondents who were renters indicated an interest in buying a home in need of repair if rehabilitation assistance was also available.

Recommendation: We recommend that the City of Wells consider the creation of a rehab/purchase program for existing houses that is similar to the previous MURL Program. Area housing agencies, including the Wells HRA and financial institutions could assist by offering some rehabilitation assistance in conjunction with first-time buyer programs to make the City's older housing a more attractive option for potential home buyers. MHFA, through its other programs, and the SCDP Program are other potential funding sources.

Also, a program could be developed to provide mortgage funds directly to households for the purchase and rehabilitation of existing substandard homes. USDA Rural Development provides mortgage funds to purchase a home and to make repairs to the unit.

A purchase/rehabilitation program will achieve several goals. The program will encourage home ownership, prevent substandard homes from becoming rental properties, convert rental properties back to owner-occupancy, and rehabilitate homes that are currently substandard.

Wells - New Housing Construction

New Housing Construction

Findings: Wells has experienced some limited single family owner-occupied housing construction over the past 16 years. According to City and U.S. Census records, from 2000 to 2015, approximately 28 single family owner-occupied units were constructed in Wells. This includes single family homes and twin homes.

During the seven-year period from 2000 to 2006, 21 owner-occupancy units were constructed, which is an average of three homes annually. During the past nine years, from 2007 to 2015, seven owner-occupied units were constructed, which is less than one home annually.

The attractiveness of the area, the potential for new job creation and efforts by local stakeholders should result in the construction of new homes over the next several years. However, attractive residential lot options must be made available for new home construction.

Overall household projections for Wells indicate some demand for owner-occupied housing construction. Household growth is anticipated through 2020 among households in the 65 and older age ranges. Households in these age ranges tend to be predominantly home owners, and form a market for higher priced, trade-up housing and low maintenance housing such as town homes and twin homes. The older seniors are often seeking senior with services housing options.

The number of households in the 25 to 34 year old range is projected to remain relatively stable through the year 2020. Many of the households in this age range are seeking entry level homes.

It is our opinion that if the city, local and regional housing agencies, and private developers and builders are proactive, 14 to 18 owner-occupied housing units could be constructed in Wells over the next five years from 2016 to 2021 to address demand. Our projection for single family housing starts includes homes built in new subdivisions and on infill lots, and includes single family attached housing units, such as twin homes and town houses. The breakdown of our projection of 14 to 18 new owner-occupied housing units is as follows:

‣ Higher & median price homes	4-5 homes
‣ Affordable homes	4-5 homes
‣ Twin homes/town homes	6-8 units
Total	14-18 homes/ units

10. Lot availability and lot development

Findings: As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in the City of Wells. We were able to identify only five available lots in Wells. These lots are in various locations in the City. We obtained sale prices on three of the lots. The lot prices ranged from $9,500 to $21,900.

There are also other miscellaneous infill lots scattered around the city that we did not attempt to count. We do not know the availability of these infill lots. Also, dilapidated homes are being demolished in the City. Some of the cleared lots may be sites for new construction.

Recommendation: We use a standard that a 2½ year supply of lots should be available in the marketplace based on annual lot usage. With projections that three to four new owner-occupied housing units could be constructed per year, the City should have approximately eight to 10 residential lots available to meet the expected demand. Part of this demand would be for attached unit construction.

With five available buildable lots, the City currently does not have an adequate supply of lots. Also, the lots that are available provide limited options for potential buyers. Therefore, it would be advantageous to develop additional residential lots that expand the choices available for potential buyers of newly constructed homes.

Based on stakeholder interviews, at least two sites have been identified for lot development, including the 'Old School' site.

We would recommend the development of a 12 to 14 lots, based on the following:

- The lots should be developed in small phases, based on actual demand.
- The lots must be as aesthetically acceptable as possible and include high quality amenities.
- The lots should have covenants that assure high quality development. However, the covenants should not be so restrictive that they eliminate the target market's ability to construct a home.
- The lots should accommodate a variety of home designs and home prices.

- Major employers should be involved in promoting and publicizing the subdivision.

- Successful lot development will need the cooperation of financial institutions, home builders, the City of Wells, the Wells HRA, the Wells EDA and employers. Financial assistance such as tax increment financing and tax abatement may be necessary to make the development of lots feasible.

11. Strategies to encourage residential lot sales and new home construction in Wells

Findings: From 2000 to 2006, 21 owner occupied housing units were constructed.

Over the past nine years from 2007 to 2015, there have been only seven owner-occupied homes constructed in the City of Wells.

Recommendation: We recommend that the City of Wells, the Wells HRA, the Wells EDA, builders, realtors and other housing stakeholders coordinate efforts to promote lot development, lot sales and housing development.

Our recommendations to promote lot sales and housing development include:

- ***Competitive pricing*** - There are lots that are available in communities throughout the region, some may have changed ownership due to tax forfeiture or financial distress. Some of these lots are being offered for substantially less than their original asking price. To stay competitive, Wells must offer lots at a competitive price.

- ***Plan for long-term absorption*** - The research completed for this Study expects limited annual absorption of lots in Wells. We are projecting the construction of three to four housing units per year. It is therefore necessary to view lot sales and housing development as a long-term plan.

- ***Generate initial activity -*** The first households electing to build a home in a new area may have concerns about the long-term future of the housing development. It will be necessary to initially generate some level of attractive home construction to help assure future buyers. This may require very proactive efforts, such as the initial sale of some lots at discounted prices, provided the buyer agrees to build a home of a certain quality and style within a designated timeframe. This will help create some momentum for more houses to be built.

- ***Consider developing an exclusive builder(s) relationship*** - A block of lots could be sold to a builder(s). Momentum can be created when a builder has access to several lots. This allows for marketing opportunities and efficiencies in the home building process. The developer should assure, however, that the builder is obligated to construct a minimum number of homes per year. Builders are more willing to enter a market when the lots are attractive and very affordable. A block of lots available to an exclusive builder or developer should be explored, even if significant price concessions are required.

- ***Consider partnerships that share and split financial risk between developer and city*** - Given the limited demand that has been evident within Wells over the past several years, it is difficult to recommend that any speculative homes be constructed. However, there are also financial risks associated with holding unsold lots that have special assessment balances that are payable. Spec houses could potentially attract a buyer that is not interested in going through the home building process, but instead wants a turnkey unit. A spec home can also serve as a model, allowing potential home buyers to examine specific floor plans and features in the home before committing to buy. In an attempt to spur spec home construction, some communities have formed partnerships with private home builders to share the financial risks. For example, subdivision owners have been willing to defer the payment for the lot until the spec home is sold. Another builder incentive is for the city to waive any water/sewer hook up fees, special assessment payments and building permit fees until the home is sold. A more aggressive approach is to become directly involved in helping cover the payments on a home builder's construction loan, if the house does not sell within a reasonable period of time. A community risk pool would need to be established for this type of activity. These types of approaches would somewhat reduce the builder's risk, by lowering the upfront development costs.

- ***Allow for a range of house prices*** - The lots should be available to as wide a range of home sizes and prices as possible, without compromising the subdivision. This broadens the lot buyer market. Smaller lots with fewer amenities could be marketed for affordable homes and the larger lots with more amenities could be marketed for medium and higher priced homes.

- ***Incentives*** - The City of Wells, the Wells HRA, the Wells EDA and area businesses, should consider incentives for households to construct homes including reduced lot prices, hookup and permit fees, discounts at area businesses, tax abatements, etc.

- ***Marketing*** - The City of Wells, the Wells HRA, the Wells EDA and the Wells Chamber of Commerce will need to develop a comprehensive marketing strategy to sell the available lots. All stakeholders including realtors, financial institutions, builders, employers, etc. should be included in marketing strategies. In addition to marketing the lots, the City of Wells and its amenities should be marketed.

12. Promote town home and twin home development

Findings: Wells has experienced limited owner-occupied attached housing development from 2000 to 2015. Many communities over the past two decades have seen attached housing take an increasingly large share of new construction. In cities the size of Wells, 20% to 25% of the housing starts are typically twin homes/town homes. Over the past 16 years, three owner-occupied twin homes with six units have been constructed in Wells, which is 21% of the owner-occupied units constructed during that time period.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making traditional single family homes available for families. In 2015, based on Esri estimates, there were 367 households in Wells with a head of household in the 55 to 74 year old age ranges and it is estimated that the 55 to 74 age ranges will have a net increase of six households in Wells from 2015 to 2020. It is estimated that the Wells Market Area had 1,033 households in the 55 to 74 age range in 2015 and the households in the 55 to 74 age ranges will have a net increase of 32 households from 2015 to 2020. It is important for the City to offer a range of life-cycle housing options as some of the households in the City and Market Area will be seeking to downsize into low maintenance housing options.

Recommendation: It is our projection that six to eight new owner single family units in twin homes or town houses could be constructed over the next five years.

We recommend a twin home/town home development and for the development to be successful, the following should be considered:

- Senior friendly home designs
- Maintenance, lawn care, snow removal, etc. all covered by an Association
- Cluster development of a significant number of homes which provides security
- Homes at a price that is acceptable to the market

The public sector's role in any owner-occupancy attached housing development may be limited, as the private sector can often meet this housing need if a demand exists. The city's role should include assuring that adequate land is available for development and that zoning allows for attached housing development.

A corporation has been developed in Arlington, MN, that includes local contractors, the local bank, the local lumberyard and local investors to construct twin homes. They have been very successful.

It may be advantageous to meet with a group of empty nesters and seniors who are interested in purchasing a twin home to solicit their ideas.

13. Coordinate with agencies/nonprofits that develop affordable housing

Findings: With the difficulty of producing new housing units that are affordable to moderate income households, it is important to take advantage of opportunities presented by housing agencies and nonprofit groups. Private developers may also have an interest in constructing affordable housing in Wells. These sources can help generate new homes for moderate income families in Wells.

Recommendation: We recommend that the City of Wells and the Wells HRA coordinate with housing agencies, nonprofit groups and private sector builders to produce housing units for moderate income ownership. The City may be able to contribute to the project through land donations, tax increment financing (TIF), tax abatement, or project coordination activities.

If dilapidated homes are demolished, some of the cleared lots may be suitable for redevelopment and these in-fill lots may be good sites for this type of new construction activity.

Wells -
Housing Rehabilitation

Housing Rehabilitation

Findings: The City of Wells has an asset in its existing housing stock. Existing units, both now and into the future, will represent the large majority of the affordable housing opportunities. Existing units generally sell at a discount to their replacement value. Units that are not maintained and improved may slip into disrepair and be lost from the housing stock. Efforts and investment in housing rehabilitation activities will be critical to offering affordable housing opportunities.

Housing options for households will largely be met by the existing, more affordable housing stock. As this existing stock ages, more maintenance and repair are required. Without rehabilitation assistance, the affordable stock will shrink, creating an even more difficult affordability situation.

The following specific recommendations are made to address the housing rehabilitation needs.

14. Promote rental housing rehabilitation programs

Findings: Based on 2010 U.S. Census data, the City had approximately 279 rental units. These rental units are in multifamily projects, small rental buildings, mixed-use buildings, duplexes and single family homes. Many of these rental structures could benefit from rehabilitation as many of the rental structures are more than 40 years old and some rental units are in poor condition.

The rehabilitation of older rental units can be one of the most effective ways to produce decent, safe and sanitary affordable housing. However, it is often difficult for rental property owners to rehabilitate and maintain their rental properties while keeping the rents affordable for the tenants.

Recommendation: The City of Wells and area housing agencies should seek funds to rehabilitate rental units. For a rental rehabilitation program to be workable and successful, the funds should to the extent possible, allow for program design flexibility.

Potential funding sources include Minnesota Small Cities Development Program funds, the Federal Home Loan Bank, the Minnesota Housing Finance Agency, and local funds. Additionally, the City of Wells may consider utilizing Program Income funds for rental rehabilitation.

The Minnesota Housing Finance Agency has initiated a program known as the Rental Rehabilitation Loan Program (RRLP). The Southwest Minnesota Housing Partnership is administering this program in Faribault County.

Also, housing agencies such as the Southwest Minnesota Housing Partnership, have purchased older market rate and subsidized rental projects in several cities and utilized funds from a variety of sources to rehabilitate and preserve these projects.

15. Promote owner-occupied housing rehabilitation programs

Findings: The affordability of the existing housing stock in Wells will continue to be the major attraction for families that are seeking housing in the area. Continued investment in owner-occupied housing rehabilitation activities will be critical to offering affordable housing opportunities.

Our 2016 housing condition survey rated the 356 single family homes in three of the City's oldest neighborhoods. Our survey found that 130 homes need minor repairs and 57 homes need major repairs. Without rehabilitation assistance, there is the potential that the affordable housing stock will shrink in the City of Wells.

The City of Wells has been successful in obtaining SCDP funds in the past and has rehabilitated many homes utilizing this funding source. Also, the Minnesota Valley Action Council (MVAC) administers housing rehabilitation programs in the City of Wells and Faribault County. The housing rehabilitation programs include the Rehabilitation Loan Program, the Fix-Up Fund and the Weatherization Program.

Habitat for Humanity of Martin and Faribault Counties is administering 'A Brush with Kindness' program that assists low income homeowners with exterior home maintenance such as painting, landscaping and exterior cleanup.

Recommendation: We recommend that the City of Wells, the Wells HRA and MVAC continue to utilize available funding sources to rehabilitate homes in Wells. USDA Rural Development, the Minnesota Housing Finance Agency, the Greater Minnesota Housing Fund, the Federal Home Loan Bank and the Minnesota Small Cities Development Program are all potential funding sources.

We also recommend that the City of Wells and the Wells HRA continue to apply for Minnesota Small Cities Development Program funds to rehabilitate owner-occupied single family homes.

16. Continue to implement the Rental Housing Inspection Program

Findings: A Rental Inspection Housing Program is a valuable tool in improving the quality of the City's rental housing. It is estimated that there are approximately 279 rental units in the City of Wells, most of which are more than 40 years old. There are also a significant number of single family homes that have converted from owner-occupied to rentals. Neighborhood deterioration, lower property values and unsafe rental units are often prevented when a Rental Housing Inspection Program is successfully implemented. Also, our housing condition survey identified substandard rental units.

The need to continue the Rental Inspection Program includes the following:

Health and Safety

- There is a need to provide tenants with safe, sanitary, and standard living conditions and to eliminate life threatening hazards.

Age of Housing Stock

- Much of the existing rental housing stock in Wells is more than 40 years old.
- Older housing needs continued rehabilitation and maintenance.
- Older housing often has difficulty complying with current codes.

Conversions

- Some of the rental buildings were originally constructed for other uses, including single family homes converted into multiple units, or commercial buildings converted to residential use. In conversion, owners often do the work themselves and have inadequate or faulty mechanical, electrical, plumbing, and heating systems. Also, constructing an apartment in the basement often results in a lack of natural lighting, ventilation and proper access and egress.

Trends of Conversions

- Many of today's buyers want more amenities and conveniences, and less maintenance, thus, they are less likely to purchase older homes. Also, there was an increase in foreclosures during the recession. These issues result in the continuation of converting old homes to rental units and magnify the problem.

Maintenance Efforts

- A large number of landlords are providing standard housing and reinvesting in their rental properties. However, some landlords do not maintain their buildings. Ongoing maintenance is necessary for older housing as buildings with continued deferred maintenance become unsafe and substandard.

High Number of Landlords

- Wells has a significant number of rental property owners. Many of these landlords do an excellent job; however, some absentee landlords do not reinvest in their properties, and create a need for the program.

Neighborhood Stabilization

- Rental units need to be maintained to keep the integrity of the neighborhood and stabilize property values. Deferred maintenance, parked junk cars, trash and debris all have a negative impact on residential neighborhoods.

Zoning and Codes

- Illegal apartments such as inappropriately constructed basement apartments may be unsafe and a violation of zoning regulations.

Coordination

- A Rental Inspection Program provides a record of rental units and owners.
- The program provides a better opportunity for coordination of city programs and codes.

Recommendation: We recommend the continued implementation of the Rental Inspection Program to assure that all rental units in Wells comply with housing laws and codes. The Program assures that Wells rental units are safe and sanitary, thus, removing blighted and unsafe conditions.

Wells -
Other Housing Initiatives

Other Housing Initiatives

17. Encourage employer involvement in housing

Findings: The City of Wells has several large employers. The connection between economic development and housing availability has become an increasingly important issue as local employers have the need to attract new workers into the community.

Although the jobs being created may have good wages for the area, some jobs do not pay wages sufficient for workers to buy or improve their housing. Housing for new employees is a concern for employers. It may be advantageous for employers to become involved in housing.

Recommendation: We recommend an ongoing effort to involve employers as partners in addressing Wells' housing needs. Several funding sources have finance programs that include employers. The funding agencies often view applications favorably that include employers in the problem solving process.

Employer involvement can include direct assistance to their employees such as a grant, loan, forgivable loan, deferred loan, down payment assistance, loan guarantee, etc. In many cases, employers do not wish to provide assistance to specific employees, but are willing to contribute to an overall city project, such as work force oriented rental housing or an affordable residential subdivision.

18. Continue the demolition of dilapidated structures

Findings: Our housing condition survey of three Wells neighborhoods identified 13 homes that are dilapidated and too deteriorated to rehabilitate. We also identified 57 homes as needing major repair and several of these homes may be too dilapidated to rehabilitate. There also may be homes in other Wells neighborhoods that are dilapidated and beyond repair.

Currently, the Wells HRA has a Housing Demolition Grant Program, which provides 50% of the cost of demolishing a dilapidated home, up to $5,000. According to City staff, six homes have been demolished utilizing this program and two additional homes are scheduled to be demolished in the future.

Recommendation: We recommend that the City of Wells and the Wells HRA continue to take an aggressive approach to demolishing severely dilapidated structures. The City is enhanced when blighted and dilapidated structures are removed**.** Also, some of the cleared lots can possibly be utilized for the construction of new affordable housing units.

We also recommend that the Wells HRA continues its Demolition Program and continues to identify dilapidated housing for demolition in Wells. An inventory of structures that may be candidates for future demolition and an inventory of in-fill lots for future development should be maintained.

19. Create a plan and continue coordination among housing agencies

Findings: The City of Wells and the Wells HRA may need staff resources in addition to existing staff to plan and implement many of the housing recommendations advanced in this Study. The City has access to the Faribault County Development Corporation, Habitat for Humanity of Martin and Faribault County, the Minnesota Valley Action Council and the Southwest Minnesota Housing Partnership. The City also has access to the Greater Minnesota Housing Fund, the Minnesota Housing Finance Agency and the USDA Rural Development Office. These agencies all have experience with housing and community development programs.

Recommendation: The City of Wells is fortunate to have access to several agencies that can address housing needs. It is our recommendation that the City and HRA work with the housing agencies to prioritize the recommendations of this Study and to develop a plan to address the City's housing needs. The Plan should include strategies, time lines and the responsibilities of each agency. While there has traditionally been a degree of staff interaction between these agencies, it will be important that a coordinated approach be used to prioritize and assign responsibility for housing programs.

It will also be important for the City to look for opportunities to work cooperatively with other surrounding cities to address housing issues. With the number of cities in the County, and limited staff capacity at both the City and County level, cooperative efforts may be the only way to accomplish certain projects. Cooperative efforts will not only make housing projects more practical, but they will often be more cost-effective and competitive.

20. Develop home ownership and new construction marketing programs and strategies

Findings: With the downturn in the housing economy, the competition among cities for households looking to buy or build a home has been greater than in the past. Several cities in the region have an excess inventory of residential lots, homes for sale, vacant homes and homes in foreclosure. Additionally, households are evaluating the appropriate timing to buy or build a home. During the interview process, people expressed concern regarding Wells' ability to compete for new development.

As the economy continues to improve, cities that invest in marketing have an advantage. Opportunities to buy or construct a home are sometimes limited because of the lack of information and awareness of financing and incentive programs, homes and lots on the market, local builders, etc. This is especially evident for new households moving into the area. The home buying/home building process can be very intimidating for first-time buyers and builders. It is important for the home buying or home building process to be user-friendly.

Recommendation: The City of Wells and the Wells HRA have been active in promoting and marketing housing. We recommend the initiation or continuation of the following:

- Determine the City's strengths and competitive advantages and heavily promote them
- Create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- Work closely with employers (Wells and the area) to provide employees (especially new employees) with housing opportunities in Wells
- Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling programs
- Work with builders to make the construction of a new home a very user friendly process
- Continue to work on the creation of jobs and the development of retail, service and recreational opportunities that make the City a "full service" community
- Continue to provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
- Preserve the quality of existing neighborhoods through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair

- Continue to develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, senior with services, etc.
- Review the City's policies and fees to assure that they are user-friendly, fair and receptive for developers, builders and households.
- Develop a coordinated housing plan with area housing agencies.

21. Continue to promote commercial rehabilitation and development

Findings: The City of Wells' commercial district is in fair condition, and several commercial buildings have been renovated, however, there are several substandard and vacant commercial buildings in Wells.

When households are selecting a city to purchase a home in, they often determine if the city's commercial sector is sufficient to serve their daily needs. A viable commercial district is an important factor in their decision making process.

Recommendation: We recommend that the City of Wells, the Wells HRA and the Wells EDA continue to work with commercial property and business owners to rehabilitate their buildings. Also, new businesses should continue to be encouraged to locate in Wells.

The City of Wells, the Wells EDA and the Wells HRA should seek and apply for funding to assist property owners with rehabilitating their commercial buildings. Wells has been successful in securing SCDP funds in the past for commercial rehabilitation.

In the recommendation that follows, we have discussed strategies that can be used for downtown redevelopment.

22. Strategies for Downtown Redevelopment

Findings: Downtown Wells has buildings that have been renovated and have high quality housing and/or commercial space. There are also buildings that have not been maintained and are substandard or dilapidated. This recommendation provides an outline of actions that could be taken to redevelop the downtown, to maximize the usage of downtown buildings and to promote new downtown businesses.

Recommendation: We are recommending the following actions for downtown Wells:

- Interview downtown property owners to develop a database and to determine their future plans (expanding, selling, renovations, etc.)

- Develop an overall plan for the downtown (potential new businesses, address parking needs, develop an overall theme, etc.)

- Develop a mini-plan for each downtown property and each downtown block. This may include:

    - Commercial building rehab and renovations
    - Facade work
    - Upper floor rental unit conversions or rehab
    - Building demolition
    - New construction
    - Recruiting new businesses

- Identify funding sources

    - SCDP funds
    - Property owner funds
    - City, HRA and EDA funds
    - Federal Home Loan Bank
    - Historic tax credits
    - Special tax districts
    - Tax increment financing
    - Tax abatement
    - Region Nine Development Commission
    - Faribault County Development Corporation

- Work with stakeholders to identify roles, secure funding, develop and implement programs and projects

    - Property owners
    - City of Wells
    - Wells HRA and EDA
    - Wells Area Chamber of Commerce
    - Faribault County Development Corporation
    - Region Nine Development Commission

23. The 'Old School' Site

Findings: In 2014, the United South Central School District constructed a new K-12 school. The old K-12 school was demolished and the site will be available for new development.

Based on interviews at the time of this Study, the amount of buildable land had not yet been determined. The future owner/developer of the site also had not been identified. The site may need contamination cleanup, a new road may be constructed through the site and a portion of the land may be too low for new construction.

Also, there are adjacent sites that may be available in the future including the football field, tennis courts and softball field area.

Recommendation: In reviewing the site and the surrounding area, we have determined that the site is an excellent location for housing development. The site is near churches, the Downtown, parks and established neighborhoods. Infrastructure and utilities are also available to the site.

It is our opinion that planned housing development could include owner-occupied twin homes/townhomes, rental townhomes or a high quality apartment building, a senior with services project and moderate priced single family homes.

The development could be planned to accommodate all or some of those housing options. Amenities such as sidewalks, trails, landscaping, lighting, a pond, etc. could enhance the development. The site has the potential to be a 'showplace' and a draw to the community.

Agencies and Resources

The following regional and state agencies administer programs or provide funds for housing programs and projects:

Minnesota Valley Action Council
1200 N. Park St., Suite 108
Blue Earth, MN 56301
(507) 357-4246

Southwest Minnesota Housing Partnership
2401 Broadway Ave. Suite 4
Slayton, MN 56172
(507) 836-1608
maureen@swmhp.org
Contact: Rick Goodemann, Executive Director

Faribault County Development Corporation
415 South Grove St., Suite 4
Blue Earth, MN 56013
(507) 526-2151

Habitat for Humanity of Martin and Faribault County
216 N. Main St.
Blue Earth, MN 56013
(507) 526-2500

Greater Minnesota Housing Fund
332 Minnesota Street
Suite 1201 East
St. Paul, MN 55101
info@gmhf.com
General contact: (800) 277-2258, (651) 221-1997

Minnesota Housing Partnership
2446 University Avenue
Suite 140
St. Paul, MN 55114
http://www.mhponline.org/information-email-at-mhp
General contact: (800) 728-8916, (651) 649-1710

Minnesota Housing Finance Agency
400 Sibley Street
Suite 300
St. Paul, MN 55101
mn.housing@state.mn.us
General contact: (800) 657-3769, (651) 296-7608

USDA Rural Development
Austin Area Office
1408 21st Ave. NW
Austin, MN 55912
(507) 437-8247